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INFLUENCE OF MICRO-FINANCE ON BANGLADESH RURAL PEOPLE

Case Study: Grameen Bank, (Chandpur), Bangladesh

Bachelor's Thesis 2012

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Degree Program in International Business (BBA)

ABSTRACT

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CASE STUDY: GRAMEEN BANK, BANGLADESH

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Micro-finance, MFIs, Bangladesh, income level, Micro-finance growth, Microcredit

Bangladesh is a rising country located in the southern part of Asia. More than half of the population of it lives in rural areas and they are living under the poverty level. In Bangladesh rural people are not capable of getting loan facilities from the regular financial sector due to the guarantee requirements and informal financial sector also make them impossible as a result of higher profit tendency. For all intents and purposes, microfinance is an important financial tool to alleviate poverty by rising the income and self-employment in Bangladesh. Dr. Muhammad Yunus first introduced this micro -loan model in 1976 in Bangladesh. Especially, Grameen Bank & Yunus jointly awarded Nobel Peace Prize in 2006 for outstanding achievement in microfinance field in Bangladesh.

The purpose of this study was to assess the influence of micro-finance in the rural society in Bangladesh and to assess the transparency of Grameen Bank micro-finance model. The Grameen Bank of Bangladesh has become an experimental spirit of the new idea of the micro-finance movement and shown the revolutionary way to alleviate poverty by providing credit without collateral to the poor households.

The research design includes a customer survey with the qualitative questionnaires and also examines the influence of the micro-finance systems by interviews. Research data was collected from Grameen Bank borrowers, Grameen bank and from the microfinance regulatory authority in Bangladesh.

The results of this study showed how micro-loan and services offered by the micro finance institutions have influenced in the people's life status. Micro-finance institutions can increase human resources skills, individual awareness level of the poor borrowers. It also suggests and will give a standard method to build the micro-finance system in other nations.

TIIVISTELMÄ

KYMENLAAKSON AMMATTIKORKEAKOULU

Kansainvälinen Liiketalous

INFLUENCE OF MICRO-FINANCE ON BANGLADESH RURAL PEOPLE CASE STUDY: GRAMEEN BANK, BANGLADESH

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Bangladesh on etelä-aasialainen kehitysmaa. Yli puolet sen väestöstä asuu maaseudulla ja elää köyhyysasteen alapuolella. Nämä köyhät ihmiset eivät saa lainavaroja virallisilta rahoittajilta vakuusvaatimusten takia, ja epäviralliset rahoittajat vaativat liikaa korkoa. Taloustieteilijä, kauppatieteen tohtori Muhammad Yunus (taloustieteilijä) ja Grameen Bank palkittiin yhdessä Nobelin rauhanpalkinnolla vuonna 2006 uuden innovatiivisen mikrorahoitusjärjestelmän kehittämisestä. Sen nimi on ”mikroluotto”.

Tämän tutkimuksen tarkoituksena on selvittää mikrorahoituksen roolia köyhien ihmisten jokapäiväisessä elämässä ja selvittää miten heidän asemaansa voisi lisää parantaa maaseutualueilla Bangladeshissa. Bangladeshin Grameen Bank – pankista on keksinyt vallankumouksellisen tavan lieventää köyhyyttä luottottamalla köyhiä ilman vakuuksia.

Tutkimus koostuu asiakaskyselystä. Se myös tarkastelee mikrorahoituksen vaikutuksia haastatelluin. Tieto on kerätty Grameen Bank - pankin lainanottajilta ja sen virkamiehiltä Bangladeshista.

Tämän tutkimuksen tulokset osoittavat, kuinka hyvinvointiyhteiskunnan ja mikrorahoitusinstituutin tarjoamilla palveluilla on vaikutuksia ihmisten elämään, sosiaaliseen asemaan ja hyvinvointiin. Hyvinvointiyhteiskunnan palvelut voivat kasvattaa köyhien lainanottajien inhimillistä pääomaa ja tietotaitoa. Tutkimustuloksia voidaan hyödyntää myös muiden kansojen parissa.

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LIST OF ABBREVIATIONS

| | |
|-----------|--|
| MFI | Micro-Finance Institution |
| GB | Grameen Bank |
| WB | World Bank |
| BD | Bangladesh |
| IMF | International monetary fund |
| NGO | Non-government organization |
| MRA | Microcredit regulatory authority |
| BB | Bangladesh Bank |
| ASA | Association for Social Advancement |
| BIDS | Bangladesh Institute for Development Studies |
| BRAC | Bangladesh Rural Action Committee |
| BRDB | Bangladesh Rural Development Board |
| CDF | Credit and Development Forum |
| CGAP | Consultative Group to assist the Poor |
| CIB | Credit Information Bureau |
| MF | Micro-finance |
| GNI | Gross National Income |
| GOB | Government of Bangladesh |
| IGA | Income Generating Activities |
| MFI | Microfinance Institution |
| MIX | Microfinance Information exchange |
| MRA | Microcredit Regulatory Authority |
| NGO | Non-Government-Organization |
| NGOAB | NGO Affairs Bureau |
| KYAMK UAS | Kymenlaakson University of applied sciences |
| PO | Partner Organization |
| RLF | Revolving Loan Fund |
| SME | Small Medium Enterprise |
| USAID | United States Agency for International Development |
| BBC | British Broad Casting |
| RQ | Research Question |
| PR | Public Relations |
| MC | Micro-credit |
| UN | United Nations |
| MFT | Micro-finance Transparency |

1. INTRODUCTION

As an introduction chapter, this chapter represents the general background information, discussion about the problem, objectives & limitation of this research. It similarly represents the brief history of Bangladesh, history of Grameen Bank, structure of the thesis, rural poverty & micro finance sectors in Bangladesh. Moreover, this chapter also presents its important facts and figures, key principles of micro-finance.

1.1 Back-ground of the study & Bangladesh: Economy, Geography, Climate & Demography

Bangladesh is one of the most moderate countries in the world. Most of the people live in rural areas and below the poverty line. Bangladesh is an agricultural based and overpopulated country located in southern Asia & it is bordered with the Burma (Myanmar) to the southeast, India to the west, north, and northeast. Historically it was East Pakistan and in 1971 after a bloody war its gain the independence to protect the language and religion. Around 31.5 percent of the populations living under poverty, while its most of the peoples living in 68,000 villages (Central Intelligence Agency 2012). Several government and non-governmental organizations have adopted to promote the growth of MFIs. Before the seventies “microfinance” did not exist and nowadays it is a common buzzword in the world. Nobody surprises nowadays if anyone using the term of "microcredit" which means rural credit, or agricultural credit, or supportive credit, or customer credit, co-operative credit, credit from the reserves and finance associations, or from credit unions, or from money lenders (Grameen Bank 2011). There are other explanations why the microcredit program has succeeded. There are some definitions about micro-finance below (Razzak 2011):

According to Grameen's foundation (year, page), “Microfinance is sometimes called the ‘banking for the poor’”.

Microfinance is an amazingly simple approach that has been proven to empower very poor people around the world to pull themselves out of poverty. A key to micro-finance is the recycling of loans. As each loan is usually repaid within six months in a

year the money is recycled as another loan, thus multiplying the value of each dollar in defeating global poverty, and changing lives of communities (*Grameen Trust, 1995*, quoted in Rahel 2011).

“Microfinance helps the poorest people to work their way out of poverty for good giving the loan to help empower women to start their own businesses, enabling them to feed their families’ everyday” (Microloan foundation, 2005 quoted in Rahel, 2011).

“Microfinance also known as micro credit, as small loans offered to poor households to foster self-employment and income generation” (Fazle, Hasan & Abed, 2006 quoted in Rahel, 2011).

“Microfinance is the supply of loans, saving, and other basic financial services to the poor.” (Yacob 2007 quoted in Rahel, 2011)

As this research is based on Bangladesh, it is essential to introduce its background and the overall environment of the country. This general information of Bangladesh will help the readers of this study to understand the facts and why this little micro-finance has wide influence to eradicate poverty with the over population of Bangladesh. Bangladesh is officially known as “The people’s Republic of Bangladesh”. Here in Bangladesh at a glance given below in the table 1(Central Intelligence Agency 2012):

TABLE 1: BANGLADESH AT A GLANCE

| | |
|--------------------|--|
| Official name | : The people’s republic of Bangladesh |
| Location | : Southern Asia |
| Area: total | : 143,998 sq. km land: 130,168 sq. km water: 13,830 sq. km |
| Weather | : Tropical |
| Nationality | : Bangladeshi |
| Population | : 161,083,804 (July 2011 EST.) |
| Capital | : Dhaka |
| Language | : Bengali |
| Religion | : Mostly Muslim, Hindu, Christian, Buddhist, and Others |
| Currency | : Bangladeshi Taka (BDT) |
| Type of government | : Parliamentary democracy |
| Natural Resources | : Natural gas, coal, fertile land |

The above table 1 shows the Bangladesh location, land area, language, currency, government type, population and religion etc. Strangely, in Bangladesh population rate is higher than the country size and as a result of living cost, inflation, not sufficient employment, social benefits and poverty rising day by day. According to Central intelligence (2010), economy structure of Bangladesh is as follows (table 2):

TABLE 2: ECONOMICS OF BANGLADESH

| | |
|-------------------------------|-------------------------|
| GDP(PPP) | \$282.50 Billion |
| GDP Growth | 6.30 % |
| GDP (Per Capita) | \$1,700 |
| Public Debt / National Budget | 36.70 % / -3.9 % of GDP |
| Inflation Rate | 10.7 % |
| Exports | \$23.86 Billion |
| Imports | \$ 31.75 Billion |
| External Debts | \$24.93 Billion |

The above table 2 has shown the economic condition of Bangladesh. A report of World Bank (2007), estimated that Bangladesh is becoming a middle-income country. In addition, based on the economic table of Bangladesh it is quite clear that the country is a developing country with the lower GDP (per capita) growth. Although Bangladesh is a small country, it has massive reserves of natural gas, coal and minerals which can help to create a big fund for the country and these natural resources have higher demand in global market.

The main religion of Bangladesh is Islam (Sunni) and Hindu and the following figure 1 shows the religious demography of Bangladesh (from now on BD) Although religious figure does not play a significant role in this research, it still will also reveal indirectly that BD is a conservative country and that is the main reason why the Government, society & families are not supporting the women empowerment:

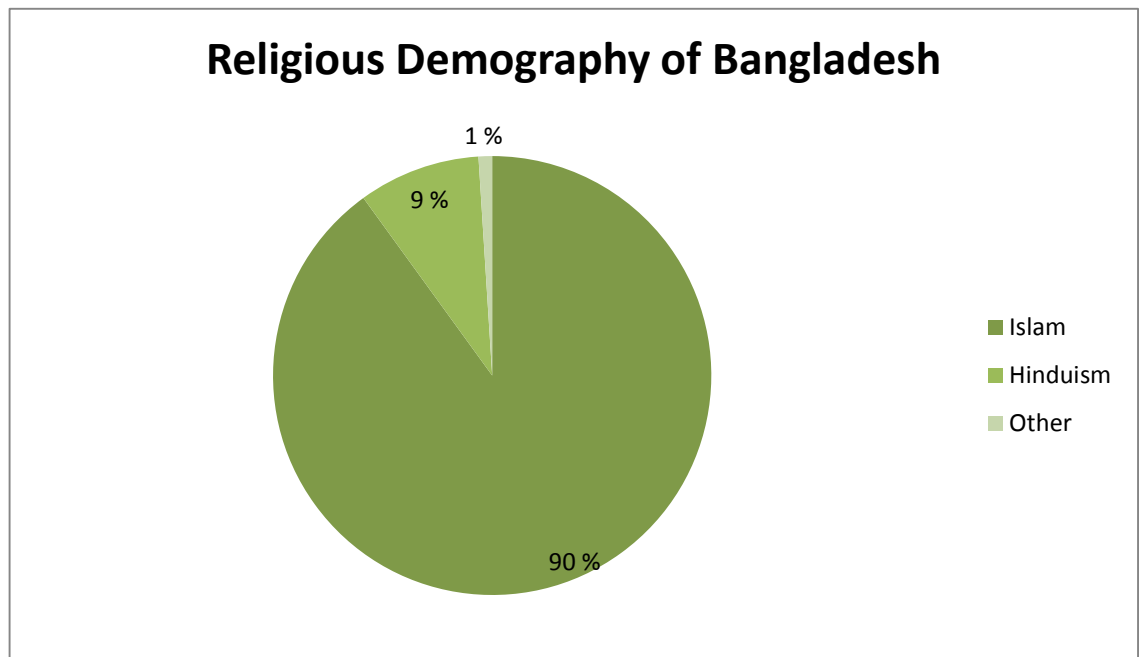


FIGURE 1: DEMOGRAPHY OF BANGLADESH

Above figure 1 shows that, Bangladesh is a Muslim country along with Hinduism & other religions. People of other religious groups, according to descending numbers are Hindu, Buddhist, Christian, Chakma, Rohingya and Meitei (Kazi, 2011). Besides, all above information regarding Bangladesh, the country faces every year tragic natural calamities (e.g. floods, cyclones, droughts, and hurricanes) these are the major calamities and these brings every year many peoples life such a tragedy. However, this natural calamity happening only due to the country location, pollution & Bangladesh is considered also land of river connected with the Bay of Bengal Sea.

The light of the information above it is easier to understand why there are a big number of people living under poverty. Why microfinance model is necessary, why Non-Government Organization (NGO) help is necessary and why microfinance institutions (MFIs) are necessary? All these questions answer will be given and will be presented in other chapters of this research as an output or results.

1.2 History of micro-finance and micro-financing institutions in Bangladesh

Bangladesh is historically important for the term micro-finance and this term, which has been applied to our rural area and succeeded internationally. Likewise, micro-

finance term has been used in many countries at the moment. In the year 1974 Bangladesh fell into the grip of hunger. Poor and hungry people were everywhere and starvation began in the remote villages where government could not even care and help (Yunus 1998). That was the time when Dr. Muhammad Yunus was teaching in Chittagong University as a lecturer of Economics. He thought that his economical elegant and practical theory, where they had been talking with the million dollars capital budget and economic plan, would not work. At the same time he was thinking to do something for the poor villagers' of the village where the university campus was located in. (Yunus 1998) Dr. Yunus wanted to teach his students to understand the life of one single poor person. He started to visit the villages around and started to find the people who borrowed money from lenders. Then he got 42 people who had loans about 27 dollars in BD taka. So he gave them these 27 dollars and helped them to pay to their borrowers and get free from them this loan shark. Dr. Yunus took a loan from the local bank as a grantor because formal banking system does not provide any loan to the poor people without guarantee. To overcome the limitations of banking sector loan, a new type of microloan system was introduced for the rural people (especially for the women), by Dr. Muhammad Yunus in Bangladesh. . This system called micro-finance first introduced a new type of loan in 1976 (Razzak, 2011). Muhammad Yunus won the 'Nobel Peace Prize' thirty years later and now micro-credit by GB is a great model to use in the developed nation to eradicate poverty and create workforce. (The Guardian 2008) Conventional bank wants collateral and gives the loans to rich people and rich people own this conventional banks. So, DR. Muhammad Yunus started to lend money in small amounts and tried to generate self-employment idea to reduce the poverty. (Yunus 2009).

In the microfinance field, research is on-going continuously to find out its level of sustainability, operation costs, deliver costs and the rate of interest to increase its adaptability but in many countries microfinance have not yet well-known or done any research in the influence of MF beneficiaries. Bangladesh Government has established Microcredit Regulatory Authority (MRA) in 2006 under the act of microcredit legislation (2006), for running this sector more sustainable way and also protecting it from any unauthentic situation. MRA is the central body to monitor and supervise micro-finance operations of NGO-MFIs (Microcredit Regulatory Authority, 2011). According to the provision of the Microcredit Regulatory Authority Act (2006), no private

organization (NGO-MFIs) is permitted to operate microfinance activities in Bangladesh without obtaining license from Microcredit Regulatory Authority (MRA). The license from the Authority is mandatory to operate microfinance operations in Bangladesh as an NGO (Microcredit Regulatory Authority 2011). This publication is based on information provided for the year ended in June (2009) by 489 NGO-MFIs out of 495 licensed institutions, which received licenses by 25 March (Microcredit Regulatory Authority 2011). Micro-finance regulatory authority of Bangladesh every year publishes the overall scenario of microfinance status. The present situation of MFI sector in BD at a glance is given below in Table 3 (Microcredit Regulatory Authority, 2011):

TABLE 3: KEY INFORMATION OF MICROFINANCE SECTOR IN BANGLADESH

| Particulars | June, 2008 | June, 2009 | June, 2010 | June, 2011 |
|--|------------|------------|------------|-------------|
| Number of Licensed NGO-MFIs | 293 | 419 | 516 | 576 |
| No of Branches | 15,077 | 16,851 | 17,252 | 18,066 |
| No. of Employees | 98,896 | 107,175 | 109,597 | 111,828 |
| No. of Clients (Million) | 23.45 | 24.85 | 25.28 | 26.08 |
| Total borrowers (Million) | 17.79 | 18.89 | 19.21 | 20.65 |
| Amount of Loan Outstanding (Tk. Million) | 134 680,96 | 143 134,03 | 145 022,66 | 1,73,797.60 |
| Amount of Savings(Tk. Millions) | 47 386,19 | 50 610,04 | 51 362,93 | 63 304,44 |

According to Microcredit Regulatory Authority (2011), Table 3 shows, statistics of MFIs and NGOs. Micro-finance Institutions have created over 111,800 people work-placements, 80 percent of them are male and 20 percent female (Micro-finance regulatory authority Bangladesh 2011). As we can see from the table 3, in 2011 MFIs sector had 576 licensed MFIs, 18,066 branches, 26.08 million clients and 20.65 million total borrowers (Microcredit Regulatory Authority 2011). The following table 4 shows the number of institutions in Bangladesh under different categories.

TABLE 4: NUMBER OF INSTITUTIONS UNDER DIFFERENT CATEGORIES

| TABLE 4: Size-Wise Loan Outstanding and Savings Compositions (As of 30 June 2011) | | | | | | | | |
|---|-----------------------|----------------------|------------------------|---|--------------------------------|-----------------|--------------------------------------|-------------------------------|
| Cate- gories | Range of Borrowers | No of MFI s | No of Borrow- er | Total Loan Outstand- ing (BDT Million) | % of Total Outstand- ing | No of Savers | Total Savings (BDT Million) | % of Total Sav- ings |
| Very Small | Up to 1000 | 85 | 63973 | 492.48 | 0.28 | 87660 | 192.20 | 0.30 |
| | 1001–2000 | 177 | 244974 | 1566.68 | 0.90 | 351054 | 741.81 | 1.17 |
| | 2001–6000 | 120 | 422745 | 2914.21 | 1.68 | 566864 | 1282.30 | 2.03 |
| | 6001– 10000 | 46 | 364848 | 2987.90 | 1.72 | 469938 | 1128.09 | 1.78 |
| Small | 10001– 50000 | 103 | 2218532 | 19946.10 | 11.48 | 286131 8 | 6738.03 | 10.64 |
| Medi- um | 50001– 100000 | 23 | 1571226 | 13805.22 | 7.94 | 187536 3 | 4713.86 | 7.45 |
| Large | 100001- 1000000 | 19 | 4600621 | 39483.64 | 22.72 | 552797 1 | 14652.1 3 | 23.15 |
| Very Large | 1000001- Above | 3 | 1116237 1 | 92601.36 | 53.58 | 142747 80 | 33856.0 28 | 53.51 |
| | | 576 | 2064929 0 | 173797.60 | 100 | 260149 | | |

The above table 4 illustrates number of MFIs categories under different sizes & a financial portfolio of loans, savings & savers. In addition, the table 4 shows that in Bangladesh there are five kinds of MFIs, which are respectively very small, small, medium, large & very large. However, it also shows the total number of MFIs, range of borrowers & number of borrowers. Similarly, the table 4 also provides the total savings of borrowers and the number of savers (Microcredit Regulatory Authority 2011). The following figure 2 shows the number of growth of loan disbursement and the following figure also describes the loan disbursement growth from (2008) to (2011) in Bangladesh:

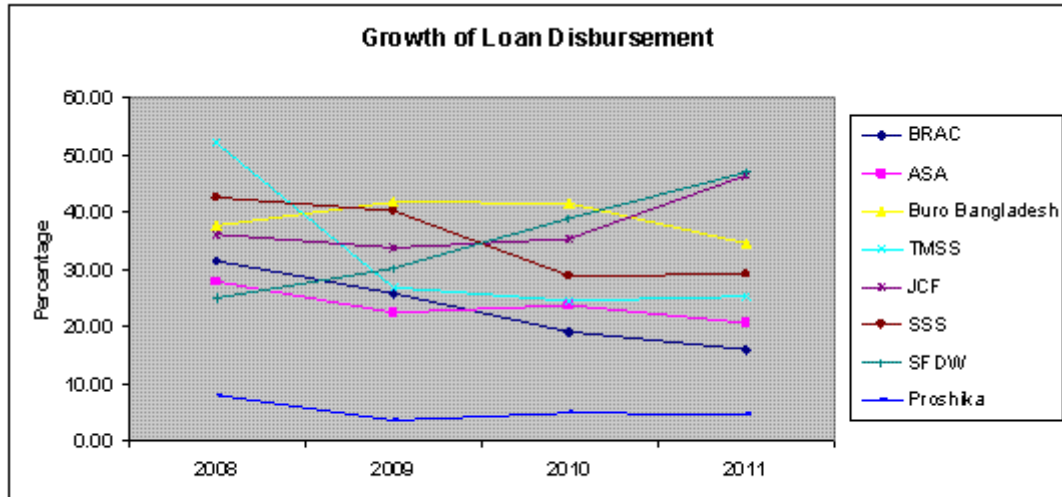


FIGURE 2: CUMULATIVE LOAN DISBURSEMENT OF THE TOP NGO-MFIS

The figure 2 displays the growth of Top Non-Government Organizations-Micro-Finance Institutions in Bangladesh. Consequently, this figure also clarifies the growth or falling of top NGOs & MFIs from (2008) to (2011). There is an increasing number of MFIs operating in Bangladesh and we can also see from the figure that beside Grameen there are other major NGOs- MFIs operating widely in BD. BRAC (Bangladesh rural advancement committee), ASA, Proshika, TMSS, SF-DW, BURO Bangladesh, SSS (Society for Social Service), PMUK (Padakhep Manabik Unnayan Kendra), and JCF (Jagorani Chakra Foundation) etc. are the major NGOs-MFIs operating in Bangladesh and Grameen Bank is the biggest MFIs by its customers, employees & capital (Grameen Bank, 2011). Additionally, Grameen Bank is not in the above list because it is offering the formal banking service not only a MFI service, which has established under a special law of Bangladesh Bank in (1983) and Grameen Bank not considered as a NGO but it has NGO related social services to improve the condition of poorer. So the above list brings the data for comparing the loan disbursement of the top NGO's and MFI's in general.

1.3 Grameen Bank

This research is based on a micro-finance program of Grameen Bank. Consequently, for the analysis and improvement of the research a short financial story of the Grameen bank is given. It is especially interesting that Grameen bank is the only bank in Bangladesh that is owned by its customers. The Grameen Bank (Bengali: গ্রামীণব্যাংক) is a microfinance organization and community development which bank started in Bangladesh and made small loans (known as microcredit or "grameen-credit") to the impoverished without requiring collateral. The word 'Grameen' is derived from the word 'gram', which means "rural" or "village" in the Bengali language.

Grameen Bank that serves rural people in Bangladesh and Borrowers of the Bank own 90% of its shares while the government owns the remaining 10%. So, it is also clear from the share percentage that the CEO or founder does not receive any profit or share of GB. Another distinctive feature of the bank's credit program is that the overwhelming majority (98%) of its borrowers are women. Waterfield (2011) stated, the most transparent and effective managerial activity brings Grameen Bank (GB) today's position and Yunus is the greatest CEO of all times. The Grameen Bank and its founder, Muhammad Yunus, were jointly awarded the Nobel Peace Prize in 2006; the organization's Low-cost Housing Program won a World Habitat Award in 1998 (Grameen Bank 2011). From 1995, GB has not been taking any donor money from any organization. The GB is presented at a glance is below (table 5):

TABLE 5: GRAMEEN BANK AT A GLANCE

| Grameen Bank | |
|---------------------|--|
| Type | Body Corporate (Bank Ordinance) |
| Industry | Financial services |
| Founded | 1983 |
| Founder(s) | Dr. Muhammad Yunus |
| Headquarters | Dhaka, Bangladesh |
| Number of locations | 2,565 (October, 2011) |
| Number of villages | 81,379 |
| Number of borrowers | 8.349 million, 97 % are women |
| Loan Recoveryrate | 96.67 per cent |
| Area served | Bangladesh |
| Key people | Mohammad Shahjahan, Acting Managing Director (CEO) |
| Products | Microfinance |
| Revenue | 12,435,830,045 Taka (176.67 million USD) (2010) |
| Operating income | 8,513,832,110 Taka (120.95 million USD) (2010) |
| Net income | 757,241,322 Taka (10.76 million USD) (2010) |
| Total assets | 125,396,957,972 Taka (2010) |
| Employees | 22,149 (July 2011) |
| Website | Grameen-info.org |

1.4 Research Question, Objectives & Limitation of the study

Continuously, after a long research the author has find out the research question and this thesis will be focused on this following question. However, here is the research question and in the conclusion chapter author will present the research question outcome.

- ✓ How high is the level of achieving the key goals of microfinance to improve the life quality of rural area?

The general objective of this study is to discover the influence of micro-finance program in rural areas of Bangladesh and to find out what the Grameen Bank borrowers achieved by using microloans & services offered by GB. The goal of microloan systems is to reduce the poverty and the interest of this study is an assessment of MFIs and personal motivation. Additionally, this study also aims to find the microfinance opportunity, achievement, difficulties and as a tool for reducing the poverty. The generalization of this study will be focused on the MFIs, Grameen Bank's services and how they helped rural people to achieve success and contribute to the rural society of BD. On the other hand, the personal motivation resulted from my practical experience in Bangladesh and also to find-out why the Grameen Bank's buzzword as a micro-credit inventor spread all over the world so quickly. To reach the objective, it is necessary to examine the reality of micro-finance users and to assess the influence in their life. To find the influence, impact, positive and negative features of microfinance, the results of questionnaires in the empirical study parts are presented. The questionnaires answer of this research will be collected by a practical survey in Chandpur district of Bangladesh and later on author will analyse, summary & present in the results chapter in this thesis.

There are a number of limitations in this study. Firstly, the respondents were limited (100 Respondents or samples) in terms of size and structure. Secondly, the data collection was limited only within the Chandpur district of Bangladesh; because of time, costs and also Grameen Bank authority did not response satisfactorily. Thirdly during the analysis of the data, answers of 19 respondents were rejected because of data missing and not fulfilling anything. As the Grameen Bank and its borrowers are in Bangladesh, it's really very difficult to run the survey, as poor customers do not understand English questionnaires. So for the solution of this problem, author made

the Bengali questionnaires too. The author tried to talk to many officials to enrich the contents of this thesis with sufficient and trustworthy information especially to the Grameen Bank authorities. The task was not so easy. The Grameen Bank authorities denied helping the author to do research on this topic. Their help would be very important to make progress in writing this thesis. Furthermore recently the retirement of Dr. Muhammad Yunus has also made the situation worse and the things related to this have raised many questions against micro-credit system of the Grameen Bank. As a final point, the assessment and data results are depending on the respondent's answers and suggestions.

1.5 Structure of this study

Microfinance, which benefits some of the poorest people generate their own incomes, has fought to get established in the Bangladesh from 1976 to till now in 2013, but one country where it has taken hold is Bangladesh. However, the study continues with the micro-financing which is refers to the literature reviews concentrating on influence of micro financing in Bangladesh. In contrast, after the literature reviews discussion, the research continues chapters are including also assessments of microfinance in chapter 3, methodological considerations in chapter 4 and the rest of chapters are 5 , 6 them are refer to results and conclusion. On the other hand, to consider the global influence of micro-finance and its success in Bangladesh, rural economy will be discussed below. Therefore, the conclusion chapter 6 will discuss the managerial recommendations, evaluation of this study and further research and development suggestions will be made for other researchers in this sector. Furthermore, the assessments of the thesis, research development, and Bangladesh rural society are the main elements of this thesis and Grameen Bank as a case study and process of data gathering are core components in this thesis.

For the consideration of the readers, teachers & viewers, the research design is provided with the following figure and the author will present this thesis based on this research process & design given below in figure 3 (Ghauri & GrØnhaug 2010; p217):

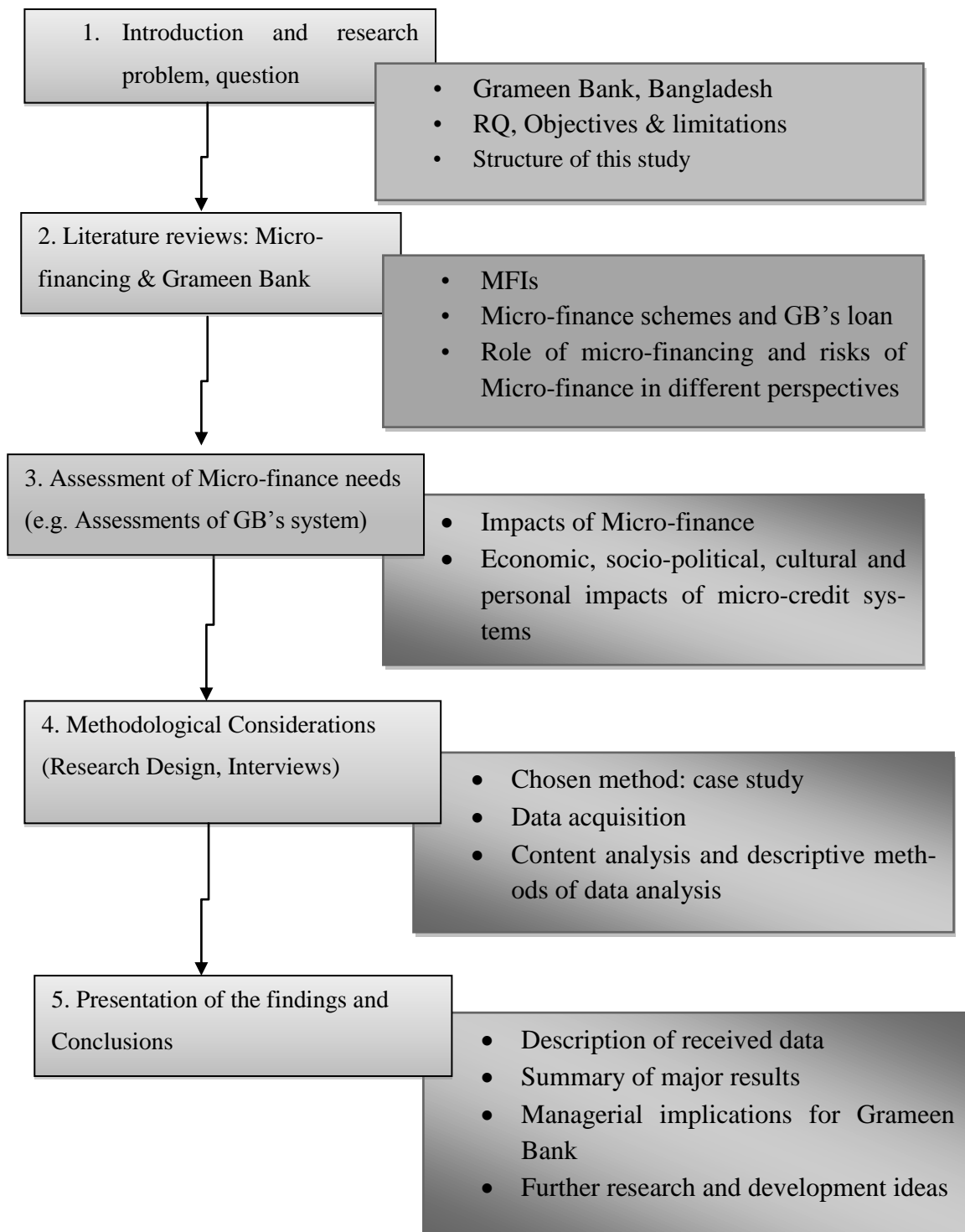


FIGURE 3: OPERATIONAL MODE OF THE RESEARCH PROCESS

The above figure 3 shows the research design of this study as a comprehensive list of sources. And this study will be an example to show a developed society that how a

small economic term used by MFIs can change the concept of loan system and build up trust between the lenders and borrowers.

2. MICRO-FINANCING

This chapter named micro financing literature review presents an overview of the theoretical concepts that is applied in this thesis. It focuses on literature, theories and previous studies related to micro finance. This chapter illustrates different issues about micro credit for instance institutions related to micro finance and how these are different from formal and informal financial institution. Author also followed in this chapter academic processes, which are given below:

2.1 Definition of Microfinance

Microfinance has seen many definitions since its emergence into the finance sector in all over the world. Different researchers in relation to the purpose of various kinds of research to be conducted define Microfinance. Microfinance according to Ledgerwood , (1998, p34) is when the poor household or individuals are accessing financial services not previously accessing to a driving force to reducing poverty, empowering women, or other disadvantaged groups, creating employments, and or encouraging socio economic growth. Definitions differ, of course, from country to country & some of the defining criteria used for microfinance which are given below (Global Development resource Center 1997):

- Size – small size loan, or micro loan
- Users - low-income households and small entrepreneurs
- Operation - the use of capitals - for income generation, and enterprise development, but also for community use (health/education) etc.

- Terms and conditions – most of the terms and conditions for microfinance loans are flexible and easy to understand, and suited to the local conditions of the community (Global Development resource Center 1997).

However, the Grameen Bank defined microfinance as small loans given to the poor for undertaking self-employment developments that would generate income and enable them to provide for themselves and their families. The target population comprising women microenterprises from the low-income households and the loans have no collateral (Grameen Bank, 2011). Microfinance is openly considered as a part of financial products which deliver the financial services (e.g. loans, savings, funds, trainings, information, schemes development, family plan, etc.) in an informal way and try to implement in the rural society and giving opportunity to develop woman empowerment. Ledger-wood (1998) stated that micro-finance activities usually involve with the following features:

- Generally for working capital and micro loan and easy assessment of borrowers and investments
- Guarantee free such as group guarantees or compulsory savings & successive and larger loans based on repayment performance
- Restructured loan disbursement and monitoring & safe voluntary savings products (Ledger-wood 1998)

To reflect the above definitions regarding micro-finance, it has two important features, which are: microfinance emphasizes financial services not just credit and it highlights the entrepreneurial poor (World Bank 2010). Therefore, based on all definitions given, it is clear that microfinance is just a small credit given to the poor engaged in microenterprise for the purpose of income-generating activities. On the other hand, microfinance includes broad financial services given to the poor and low-income group for many reasons and not just for income generating activities. (International Journal of Business and social science 2010)

2.2 Using Micro-finance as a tool for development

Micro-finance transparency (2011) reported, the Grameen Bank offers its customers significantly different styles flexible loans and it has become an essential part of the country and considered as a social, economic parts. The advancement of microfinance is an indicator of social development in the rural area and the goal of MF is to reach the rural people and motivating them to involve with multi-perspective self-employment. According to *CGAP (The Consultative Group to Assist the Poor 2003)* Access to credit can be a valuable tool to allow poor households to invest in small businesses, and see themselves through vulnerable areas. Taking into wide consideration, access to financial services can provide important benefits simply by enabling poor families to manage their household finances more effectively and smooth their consumption-allowing them to save for emergencies.

Grameen Bank measured that microloan is an important financial tool; to fight poverty and it contributes broadly in the overall development of socio-economic conditions of the poor who cannot access the formal banking or commercial banking and it offers also a flexible method to choose the repayment method (Micro-finance transparency Grameen Bank report 2011). According to the Dr. Susan, (2005), microfinance and saving activities help the poor in the following ways:

- Financial savings & savings from income
- Capacity for self-investments & to invest in better technology
- Consumption smoothing process & ability to face external shocks
- Reduction need to borrow from money & borrowers at high interest rates
- Assist to purchase the productive assets & preventing from the selling of assets
- Advance allocation of resources & increase the economic growth (Bliss 2005)

Therefore, microfinance is growing because it offers the easy facility where it customers need not to think about the guarantee or any extra terms. It has many key advantages and which are supporting to save more for its users. In spite of the fact that, some of the micro-finance institutions provide enterprise development services e.g. trainings, counseling, marketing, and social services. On the other hand, literacy training and health care, these are not generally included in the definition

of microfinance. Ledgerwood (1998) states that, there are many explanations for growing the microfinance and some of them are given below as examples and these are common reasons for growing the micro-finance:

- *The promise of reaching the poor & the promise of financial sustainability*
- *The potential to build on traditional systems & the contribution of micro-finance*
- *Strengthening and expanding MFIs systems & number of success stories as a large scale*

The above feature shows that the availability of better financial products is a result of research and revolution. The modernization of microfinance idea or an inventive idea for poverty reduction has supported to solve the problems of rural peoples. Alternatively, microloan scheme also brought collateral free systems by using group-based and character-based approaches, which are aiming to create lot of disciplines for repayment collection. Besides these, there are number of benefits provided by MFIs; designing a loyal staffs group helps to achieve greater outreach and high loan repayment system including also the savings services covers the funds as savers (Ledgerwood, 1998). As the microfinance program has adopted in many less-developed countries, it is also applicable in developed society by proper customization, cultural settings and to implement different development policies. Bliss (2005) described that, NGO & the government support microfinance facilities have been increasing & building places for the poor people where they can access to the capital from all types of financial institutions' and motivates customers for investments, savings & insurances. To conclude, micro-finance program helped to develop the rural communities, health initiatives, food production, trainings, and it is a pure of transparent financial tool for development.

2.3 The role of microfinance in the economy of Bangladesh

According to Micro finance transparency report (2011), Grameen bank is a most ideological institution and it has the highest transparency rate out of 420 microfinance institutions around the world. It is considered as a cooperative bank because of its ownership distribution, which is divided, into people and government respectively 97 per-

cent and 3 percent (Micro-finance transparency report 2011). According to Yunus, “credit facility can create a virtuous circle” they are follows e.g. low earnings, credit, investment, more income, more credit, more investment, and more income (Islam 2007; p101). After analyzing the growth in income and production of poor households, this idea has been accepting as a growth tool in microfinance world. It is also shown in the survey to evaluate the GB’s microcredit programs in terms of alleviation of rural poverty in Bangladesh. (Islam 2007, p101)

Grameen Bank is still not a substitute for the informal sector even though it offers a reasonable financial service for the poor people. Grameen Bank has its own foundation principles in order to have a significant influence in the rural credit-market and also the lending policies of the GB are restructured to be reasonable to household primary conditions. Grameen Bank can compete well with the informal lenders by providing a real choice to its member households by planning a quality, flexible, and client-responsive financial service. (Islam 2007)

There is a positive relationship found between the loan size and the income levels of the GB members and its credit facility is the only one amongst various factors that determine the average income of a household. Therefore, GB also introduced self-employment opportunities with the micro-finance facilities, which have been aiding to decrease the rural unemployment problem in Bangladesh. (Islam 2007)

2.4 Micro Finance Institutions (MFIs)

According to CGAP (2010), a microfinance institution is an organization that provides financial services to low-income people who have no access or limited access to the formal financial sector e.g. financial institutions, traditional banks, Investment Banks etc. The term MFIs today refers to a wide variety of organizations, diverse in size, structure and degree of their legal status, e.g. NGO, association, mutual / cooperative savings and Credit Company, bank, financial institution (Consultative Group to Assist the Poorest 2010). The following figure 4 displays how the MFIs fall under three major categories, formal, semi-formal and informal sectors. One of the most important issues in microfinance today is the regulation and supervision of MFIs. As

mentioned earlier, most informal and semiformal organizations providing financial services to microenterprises do not fall under the government regulations that are applied to banks and other formal financial institutions. With regard to deposit mobilization, there are various nonbank MFIs, especially NGOs, operating on the fringes of existing regulations (Ledgerwood 1998).

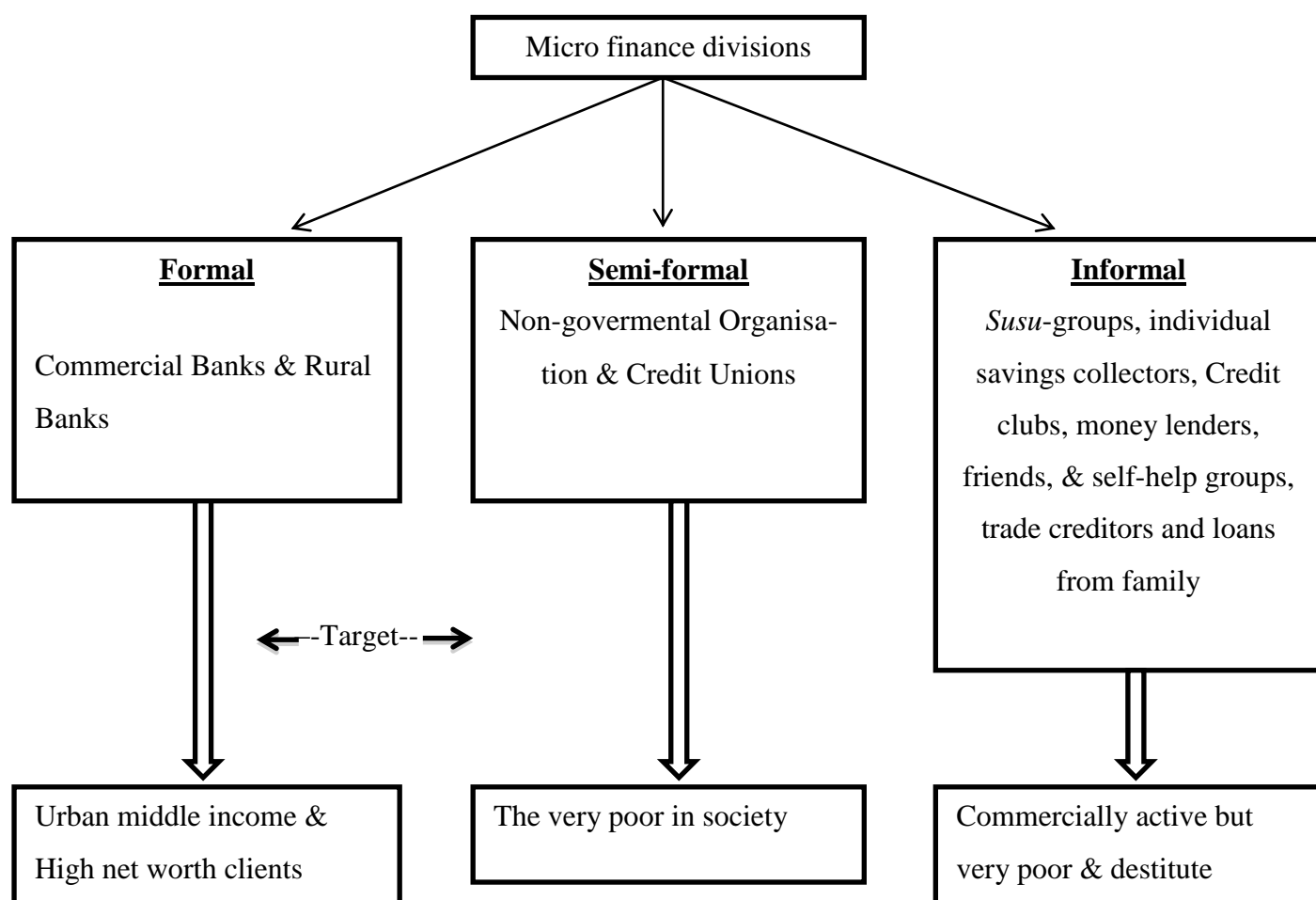


FIGURE 4: THE STRUCTURE OF MFIS SECTOR AND ITS TARGET MODEL (SOURCE)

The above figure 4 categorizes the microfinance sector in three different sectors which are formal financial institutions (e.g. commercial and investment banks, includes investment banks), semi-formal under special laws (e.g. NGOs, village bank, credit unions made by different funds), informal finance division is following the unofficial process or commercially active but very poor level transaction groups (e.g. money lenders, lenders from individual, friends, loans from family and some groups or co-operative lending). Moreover, the World Bank estimates that microfinance institutions

now aid 160 million people in developing countries and women who make up 60 percent of the world's poorest countries and disproportionately shoulder the problems of poverty, receive over 95 percent of the microcredits. The reserves let them to increase their independence and recover the quality of life for their entire families. Young borrowers are more likely to attend school and enjoy better nutrition.

2.5 Micro-finance schemes & challenges

As microfinance implemented all over the world assists different groups of individuals, and households in varied settings; ranging from small businesses / SMEs to large business owners including, farmers, traders, fishermen, retailers, distributors, salaried works, wage earners, laborers, of different types and housewives. According to the views, all of these micro-lenders' need are not same it varies to their priority. For the different target beneficiaries', MFIs introduce different types of schemes and policies to address the micro lenders need and demand. The borrowers of GB have to commit to a philosophy built on four principles: discipline, unity, courage, and hard work. To ensure repayment (*despite the lack of collateral against their microloans*) a group-based credit approach is applied, utilizing peer pressure within groups of at least five women. Every borrower is solely responsible for the repayment of the loan, but the group oversees and makes sure that everyone behaves in a responsible way and further credit to a group is provided only after previous loans have been recovered. According to Grameen Bank, the whole system is based on trust and functions without written contracts or legal instruments. There are four different types of interest rates for loans from Grameen Bank: 20 percent for income generating loans (e.g., used to purchase a cow, seeds, or a cell phone so that borrowers can sell milk, raise crops, or offer phone services), 8 percent for housing loans, 5 percent for student loans, and interest-free loans for beggars (Mapping the Field: Social Business and Relevant Contexts 2011). Grameen Bank provides loan and in exchange receives repayment with interest. That is why people believe that if they take loan from Grameen Bank they will go against religion and they refrain from taking loan.

Grameen has the most transparent pricing system and it is the only microfinance institution that is calculated interest rate on the declining balance method in the world

(Waterfield 2011). All of these interests are called simple interest rate and calculated on a declining balance method and the Government of Bangladesh has fixed interest rates at 11% which is called flat rate. Grameen Bank (2011) reported that this amounts to about 22% in interest, when it calculated in a transparent way based on its principles. In Bangladesh, Yunus' bank also incorporates a set of values embodied in sixteen decisions and borrowers vow to follow them (e.g., send all children to school; keep the family small; look after their own health; use pit-latrines; water safety). These decisions are an integral part of Grameen's business approach, which is geared to improving families' well-being, though these do not have any connection with banking system. (Grameen Bank, 2011). All the beneficiaries of microfinance sectors are mostly poor. Similarly, there is lack of data industry. In spite of the lack of data it is clear that a wide range of implementation methods are engaged by different MFIs. The following figure 5 shows a Grameen bank schemes model that is provided by (Grameen Bank 1998):

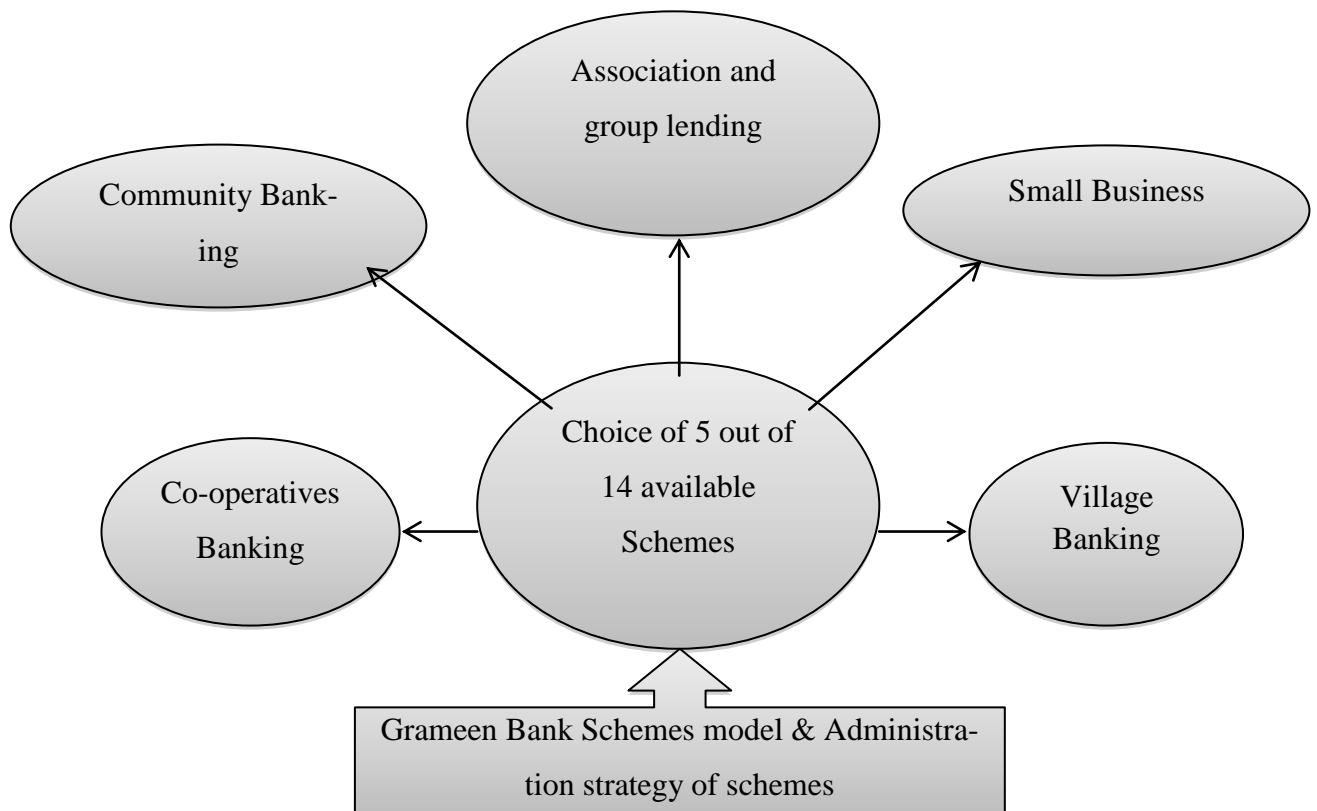


FIGURE 5: THE SCHEME OF ORGANIZATIONAL LENDING USED MOSTLY IN BANGLADESH

Above figure 5 shows that the Grameen bank (1998, 2000) has identified fourteen different microfinance models of which the author focused on few ones which contribute to the better understanding of this thesis research question and these schemes are the most selected and highly used schemes in Bangladesh. The MFIs adopt these schemes useful to successful implementation of their objectives in consideration of the vulnerability of the area. So, all in all these schemes are as the result of the blend of administrative strategy and sustainable livelihood approach.

Currently, microfinance program in Bangladesh is facing many challenges, which need to be addressed for the overall growth of the sector. There are many challenges, which have to think carefully in microfinance program and in the near future the following issues will be a big criteria, according to (Sa-Dhan 2006):

- Unsustainability & lack of professionalism
- Lack of performance standard & utility of microcredit
- High Interest Rate of Microfinance Institutions

There are criticisms that the MFIs of Bangladesh have been charging unreasonable high interest rate on their loans. According to Bangladesh Bank, the operational rate of interest charged by Grameen Bank is 22.45 percent while the formal sectors interest rate ranges from 10 percent to 12 percent for the small and cottage sector. But for this kind of small loans Grameen Bank field workers are to collect payment in every week in a year; as a result delivery costs are average high (Waterfield 2011). In the customer survey of Grameen Bank borrower's, interest rate problem was the biggest problem and author will explain it in the chapter 5 and 6 of this thesis.

2.6 Microfinance Risks in different perspectives

As in every concept of the business world, there are positive and negative effects. In microfinance sectors, every borrower cannot be a successful entrepreneur. Ledgerwood (1998) stated that, *“Sound microfinance activities based on best practices play a decisive role in providing the poor with access to financial services through*

sustainable institutions.” Therefore, there have been many more failures than successes in this micro-finance sector which are shown below (Ledgerwood 1998):

- There are many MFIs, which target a segment of the population that has no access to business opportunities because of lack of markets, inputs, and demand. There is no use of productive credit through such people without other inputs.
- Some of the MFIs never reach either the minimal scale or the efficiency necessary to cover costs. Many MFIs face non-supportive policy frameworks and overwhelming economic challenges and social challenges,
- Many MFIs fail to manage their funds adequately enough to meet future cash needs and, as a result, they confront a liquidity problem.
- To run a successful operation some MFIs neither have the financial management systems nor the skills.
- Because of differences in social contexts and lack of local adaptation, there are many successful models that have faced difficulties.

On the other hand, a Microfinance Handbook study reviews that there are four major risks in the micro-finance sectors, which are. (i) Ownership and Governance risk, (ii) Management risk, (iii) New industry risk & (iv) portfolio risk. To reveal the above-mentioned MFIs problems & risks, these are the major factors, which are involving with MFIs and decrease the credibility level. Therefore, most of the dilemmas and problems encountered in microfinance have to do with how clear the organization is about its principal goals and the management systems. There is a question regarding the goals of MFIs, which is: *“Does MFI provide microfinance to lighten the heavy burdens of poverty, or encourage the economic growth, or help poor women develop confidence and become empowered within their families?”* To find out the right answer for this question, an institute can choose one or many other goals, provided by its constituents and its managing structure. Besides this, a positive PR campaign towards the society, governance structure, and funding are in line with MFIs basic goals also help to answer the above-mentioned question. (Ledgerwood 1998)

2.7 Grameen Bank Loan & deposit Programs

Grameen Bank's positive influence on the rural borrowers has been documented in many independent studies, which are carried out by external agencies too. For example, Microfinance specialist, Waterfield (2011) described in the Grameen Bank's pricing certification report that GB has a well-intentioned and caring method of interest rates for their borrowers that has been working in a social oriented way. Therefore, Grameen Bank has maintained a clear loan policy that has built the trust between it and its borrowers. In detail, the dividend of GB goes to its borrowers in real because they are the main stakeholders. On the other hand, Grameen Bank had offered more than a dozen kinds of loans as a cash-flow basis, adding seasonal, family and basic loans that are also part of loan programs. However, to avoid the confusion and needless redundancy resulting from this breadth of offerings, Grameen II (which was conceived in 1999 and implemented from 2000 to 2003) starts three loan categories and later on after 2006 GB also introduced three more loan categories include with the saving schemes that are discussed below as a six-stage loan & savings (Grameen Bank 2011).

- *Basic Loan*
- *Housing Loan*
- *Higher Education Loan*
- *Scholarship Programme of GB*
- *Struggling (Beggar) Members Programme*
- Grameen Savings Schemes

The above numbers of loans are the main loan schemes of Grameen Bank and the most new loan GB has introduced is struggling (beggar) members programme. Generally, Grameen Bank offers its customers very attractive rates for deposits & minimum interest offered is 8.5 percent. On the other hand, maximum rate is 12 percent for others loan but there are some deposit schemes of Grameen Bank, which are:

- Grameen Pension Schemes
- Fixed Deposits
- 7- Years Deposits

- Special Savings Funds
- Monthly Profit Schemes

Above mentioned loans and deposits schemes are the general functions of the GB and currently they have developed other loan and deposit programs, which will implement based on the borrower's loan recovery history. In total deposit Grameen Bank stood at Tk.105.95 billion (US\$1399.30 million) by the end of December 2011. Member deposit constituted 56 percent of the total deposits and balance of member payments has increased at a monthly average rate of 1.42 per- cent during the last 12 months. (Grameen Bank 2011)

3. ASSESSMENT OF MICROFINANCE NEED

This chapter covers the impacts of Micro-credit, shows the objectives of the impact assessment, the efficiency of micro credit approaches and social effects of micro-finance.

3.1 Global Financial Crisis and its impact on micro-finance

A survey by Consultative Group to Assist the Poorest, (2011) reported that, the location, capital structure, and financial state and financial health of consumers are depending on the Governmental financial policy and the financial policy include the Central Bank. In the early 1990s, during the currency disasters in East Asia and the banking emergencies in Latin America organizations serving poor customers generally performed better financially than normal banks. Microfinance now has various more links to domestic and international financial markets, though it still has deep shock-resistant backgrounds, and as a result today's financial crisis is more likely to infect its institutions. In contradiction of what was believed prior to the global financial crisis of (2007-2008), the links of the microfinance industry with both domestic economic conditions and changes in international capital markets have grown stronger.

Therefore, microfinance outcome analysis is the process by which one determines the effects of microfinance as an intervention. Evaluating the impact of microfinance interventions is especially significant if the interventions are untimely aimed at poverty reduction. In the most common sense, impact analysis is any process that seeks to determine if an intervention has had the desired outcome (Ledgerwood 1998, p46). The effects examined depend on the outcomes that were sought (the objectives of the MFI). Generally, the narrower the goals of the intervention, the lesser the problematic impact analysis are (Ledgerwood 1998, p46). Impact is about understanding how financial services affect the lives of poor people. To date, most impact assessments have focused on microcredit programs rather than looking at a range of financial services. (Consultative Group to Assist the Poorest 2011). Decisions about the degree, frequency, and depth of impact analysis involve consideration of the following factors:

- Time and cost
- The disruption to the institution and its clients
- The way the results will be used

On the other hand, microfinance impact analyses are micro-finance practitioners, donors, policy makers and academics. Both practitioners and donors are usually concerned about improving their institution as well as learning if their interventions are having the desired impact. Policymakers and academics are solely concerned with attributing impact effects to microfinance interventions (Ledgerwood 1998: 46). After all, these are the objects what Micro-finance has been bringing to the rural society. The numbers of demanding studies of client outreach and its influence have been growing considerably year after year, especially; some developed software by MFIs, World-Bank, IMF and UN etc. for counting the interest and assessment tools for development program etc. (Morduch & Haley 2001). The resulting studies show that (Morduch & Haley 2001):

- It is proved to be unreliable when measuring depth of outreach though average loan size is an easy indicator to collect.
- MFIs should bring a considerable diversity in their ability to reach poor populations.

- All the financial products cannot change the poor people's life , because of their wrong decisions during the loan spending / investing process.
- Poverty reductions tools need to be developed and make it as a part of the organizational culture. E.g. Microfinance interest calculating software.
- After all concern, MFIs administrative effort and proper distribution with strong HRM system can change the CRM environment.

3.2 Economic, Socio-political or Cultural & Personal or Psychological impacts

For the poverty reduction, micro-finance has become an effective and modern tool, which is proved by the effects of it through the last decade. Along with other development tools around the world, it has successfully entered into the poorer division of the society and made a great contribution to eradicate poverty. Moreover, micro-finance works also in social development way e.g. free trainings, developing primary education, health care and some other basic rights systems. And mostly for those people who could not get chance to get benefit from many different financial institutions. The academic impact of microfinance categorizes in three parts, model is given below figure 6:

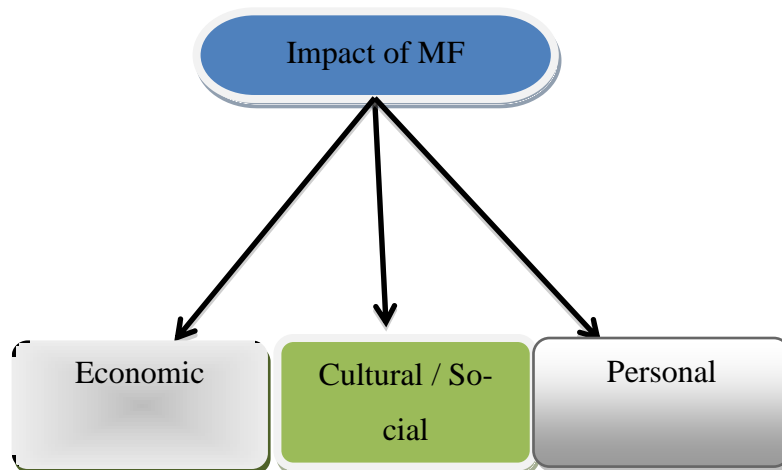


FIGURE 6: IMPACTS OF MICROFINANCE ACTIVITIES FALL INTO THREE CATEGORIES

The above figure 6 has displayed that micro-finance has three major impacts which can be described economically, culturally / socially and personally. These three kinds

of impacts are aiming to reduce the poverty and the users of micro-loan have to make lot of effort to progress. Therefore, microfinance can have impacts on the borrower's sense of self & these impacts are the other half of empowerment effects. Ledgerwood (1998) stated that, inside each of these categories there are different levels of effect and different targets. The growth of microfinance industry might be evidence in effective tool for alleviation of poverty and women's empowerment. Microfinance has created huge hope and expectations in changing economy and social impacts. In general there are two types' impacts, which are showing below figure 7:

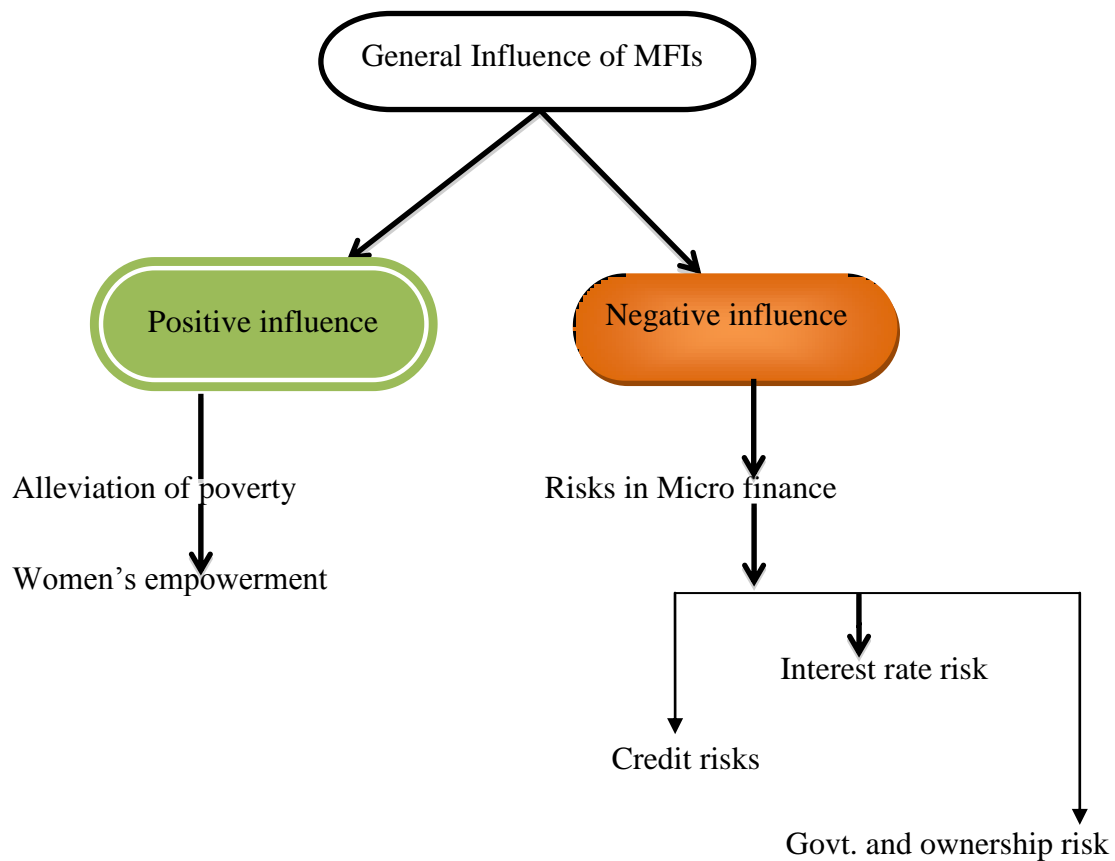


FIGURE 7: A GENERAL INFLUENCE OF MFIS

Figure 7 has described the general influence of microfinance in two ways which are positive influence and negative influence. In the positive influence, microfinance has

been aiding to alleviate the poverty and creating opportunity for the women empowerment and in the negative influence there are three major risks which are Credit risk, Interest rate risks and Government ownership risks. So, the general micro-finance influence proves that, MFIs have positive and negative influences, but successful institutions follow the best tactics to improve the loan deposit and recovery methods.

3.3 Assessment of microfinance system of Grameen Bank

Today it is true that many developed countries like in Europe & Asia have problems with their economy (e.g. banking industries) and record number of unemployment has been increasing. So, this study does not apply only for the developing nations to solve the poor people's problem but it can also be applied anywhere in the world, which has been proved by the World Bank, IMF, and many renowned banks e.g. City Bank, Barclays, JP Morgan etc. which are applying the MF model in many countries. Likewise it is true that, the poor people do not create the poverty. It is an external problem, which is created by the institutions, which are doing business with money. After providing the literature reviews and assessment of microfinance, here author is focusing on the influence of microfinance and its impacts in the rural society. To introduce the research outcome, the methodological consideration part and also the questionnaires analysis parts combined with the research question will be presented result in conclusion chapter with other research comparison. The desired outcome of this thesis work is shown in the following graph figure 8:

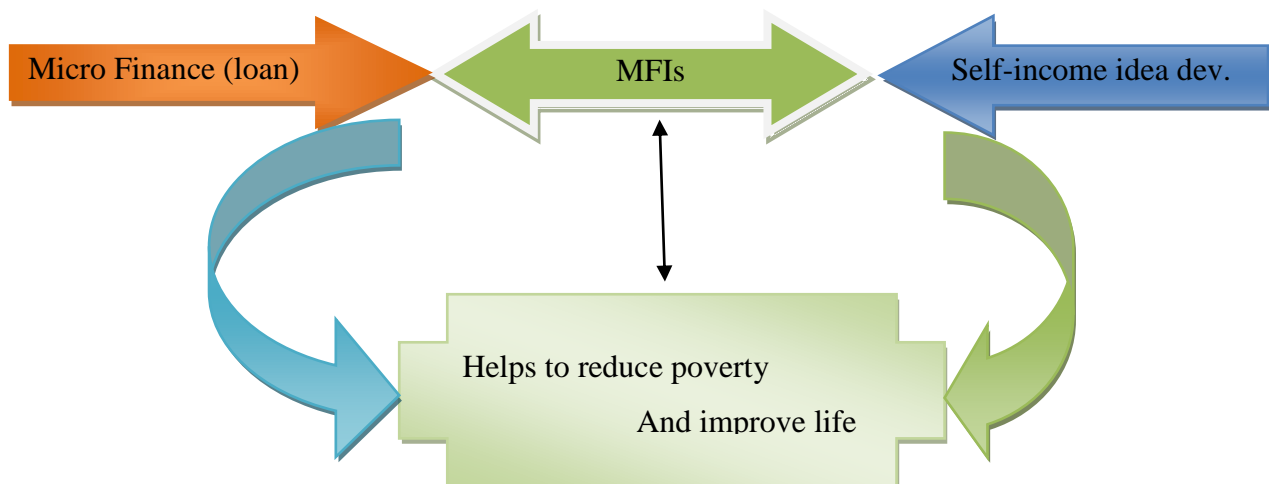


FIGURE 8: RESEARCH OUTCOME MODEL

4. METHODOLOGICAL CONSIDERATION OF THIS RESEARCH

This chapter represents the research methodology applied in the thesis. It includes research design, descriptive, exploratory and explanatory research, research strategy and choice, research approach, the argument about why interview method and qualitative approach are perfect for this thesis work, case study selection, data collection, and trust worthiness of the study.

4.1 Research Design & exploratory research

A research design provides a framework for the collection and analysis of the data (Bryman & Bell, 2011). The research design in this study is a case study within a practical survey. This is because to serve the purpose of the research, author has collected primary data both from the customers and from the Grameen bank. On the other hand, the research subject is huge and it has so much data to display in this paper. Nevertheless for considering the time, idea, readers, the model below is followed (Bryman & Bell, 2011). This thesis, however, still remains an effective method to complete the research objectives and the research model that includes the theory related with the research topic, design, conceptual framework, respondents' answers, data collection, processing, analysing, findings and conclusion with research & development suggestions, managerial recommendation & ethical value of the whole work. The research design has been presented in the above as a structure of this study.

According to the (Ghauri & Gronhaug 2010), exploratory research requires skills, as do all types of research, but the skill requirements change. Significant skill requirements in exploratory research are often the capability to detect, gather data, and construct description that is theorizing. According to the (Ghauri & Gronhaug 2010), in

descriptive research problem is structured and well understood and descriptive studies may include also more than one variables. Moreover, in casual research the problems are in under analysis and structured as well.

4.2. Chosen method: Case study

This research includes both qualitative and quantitative methods of study. Quantitative study is done while doing survey of the customers and qualitative study is done while doing case study of the Grameen Bank. That is why; both inductive and deductive approaches are relevant for this research. Basic case study entails the detailed and intensive analysis of a single case. The best-known business and management research are based on its own design (Bryman and Bell 2011). Stake, (1995) observes case study research deals with the complexity and it is particular nature of the case in question.

The author has chosen Grameen Bank Limited in Bangladesh as a successful organization of micro-finance, which is owned by its customers. According to the Chuck Waterfield (2011), CEO of micro-finance transparency mentioned that, Grameen Bank has proved that it has the most fundamental pricing policy for the loan and a transparent organization comparing with other MFIs all over the world and it is an excellent case study to represent the inside microfinance policy which has been helping universally to the poorer. GB offers standardized services and microloans which relevant with my research and subject. As the research subject is related to the rural people's life status and improvement by microfinance loans, so the author decides to examine Grameen Bank sector and its impact in Bangladesh. After contacting with the Grameen Bank authority in Dhaka, which is actually GB head office, the author considered to do the research about it. World Bank also has the recommendations for this GB model (The New Age) In 2006 Grameen bank become a buzzword in the world because of its creator Dr. Muhammad Yunus and Nobel peace prize and it has brought wide public attention.

After all, author has been thinking about the idea and making a discussion about the research with his mentor in the school. So, in contrast, author is defining about the research that this research outcome will help to go further and see how a developing country's rural people change their luck by using microfinance facilities. And of

course microfinance is a unique idea, which has both sides of influence, what author analyzes in the whole research. Shortly, this study represents the social mobility and a fundamental microfinance research model, which can be used in any country at the moment. From the business study perspective it is also true that this study assists also to develop the banking loan system and different kinds of loan model using by MFIs, which provide data for the managerial and social mobility sectors for the bank and NGO, MFIs etc. Moreover, nowadays in European Union some member countries have really problem with the traditional bank loan systems, which is caused to even customers to frustrate. So, this microfinance idea can also be a beneficial financing model for these countries too. (BBC 2012)

“The key is to tap the breadth of the quantitative approach and the depth of the qualitative approach”. (Carvalho & White 1997 quoted on Ledgerwood 1998) The combination of qualitative and quantitative work will depend on the purpose of the study and the available time, skills, concentration and resources. Generally, mixing different methodologies can bring better outcomes and clarify the findings of research into better action (Carvalho and White 1997). Similarly, it is also important to investigate, get to know and interview nonusers as well as users of the financial service provided by Grameen Bank. Carvalho and White (1997) recommend specific types of integration such as: (i) using the quantitative survey data to select qualitative samples, (ii) using the quantitative survey to design the interview guide for the qualitative work, (iii) using qualitative work to pre-test the quantitative questionnaire, (iv) using qualitative work to explain unanticipated results from the quantitative data. (Ledgerwood 1998)

Research plan indicates a general orientation to the conduct of a business research. It is like a plan of action that gives direction to conduct the research systematically. Strategies can be either quantitative or qualitative (Bryman and Bell, 2011). According to Malhotra, (2005) quantitative research is a research methodology that seeks to quantify the data and, typically, applies some forms of statistical analysis whereas, qualitative research is an unstructured, exploratory research methodology based on small samples intended to provide insight and understanding of the problem setting.

The choice of research method depends on the purpose and pattern of the study. It can be said that the combination of both quantitative and qualitative strategy can best

serve the purpose of this study. It is quantitative because the collected data from customers through questionnaires is descriptively analysed. Moreover, it is also qualitative because the Grameen Bank employees' opinion is collected through phone, meetings and by their strong web pages collected through telephone interview method, which constitutes a qualitative strategy.

4.2.1 Interviews as a method of data acquisition

The objective and purposes of the research were explained to each interviewee at the beginning of the interview. The purpose of the questionnaires is to examine how the micro financing influences in peoples life and how they utilize in their real life status. Interviews demand real interaction between the researcher and the respondent. (Ghauri & GrØnhaug 2010). In order to run the interview efficiently and without any disturbances, the researcher needs to know the respondent, his background, values and expectations. (Ghauri & GrØnhaug, 2010). To gather the practical information about the microfinance users, author decides to interview Grameen Bank customers and collect the efficient data, which will show the proper influence of loan users. Therefore, interviews' results will also show as an confirmation and analysis that *“How high is the level of achieving the key goals of microfinance to improve the life quality of rural area?”* According to the (Ghauri & GrØnhaug, 2010) Here is a typology interview model given below figure 9:

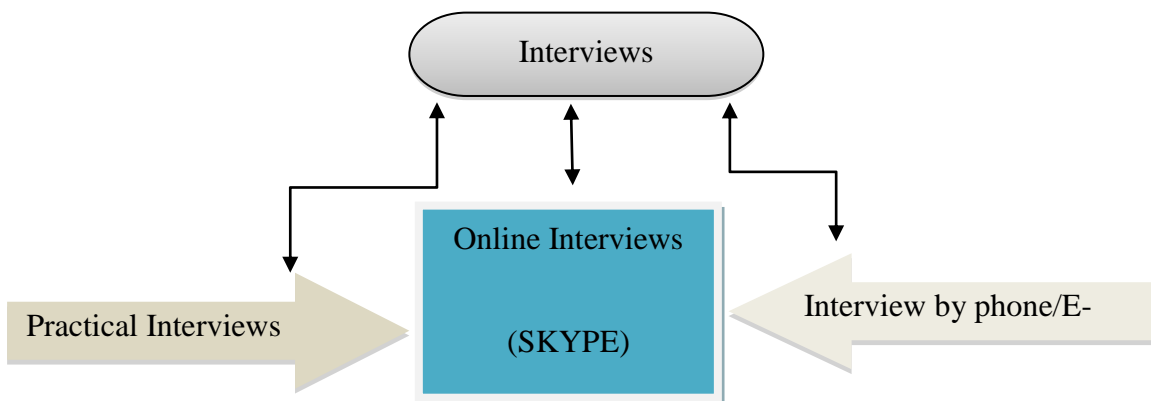


FIGURE 9: A TYPICAL INTERVIEWS MODEL, GHAURI & GRØNHAUG, (2010),

4.2.2 Trustworthiness, reliability and validity as a method of data acquisition

The quality of the research work can be presented with certain features. To create the trustworthiness of the research author has provided reliable data in this research. In addition, these data have collected primarily from the internet sources including Grameen Bank web portal, Micro-finance Regulatory Authority in Bangladesh, Bangladesh Bank report, United Nations report, World Bank Report, Asian Development Bank report, Micro-Finance Transparency report, IMF report, other authors' researches in the same subject & necessary books related with the micro-finance & its operations. As well as, there are also some video lectures and interviews used in this research to cover the primary data e.g. (Chuck Waterfield (2011) interview, Banking for the poor by Dr. Muhammad Yunus interview, Creating world without poverty interview by Dr. Muhammad Yunus, BBC documentary on the Micro-finance field, Nobel-Prize documentary for Grameen Bank (2006) & YLE TV documentary on this field etc.). Secondary data has collected from the Grameen Bank authority & from its borrowers by using questionnaires form and answers of all questionnaires have analysed by the statistics software. Simultaneously, all the results of questionnaires will be presented in the results chapter. However, to complete the whole process of this business research author also has used couple of business research books to gain his objectives e.g. (Research Method in Business Studies by Ghauri & Grønhaug 2010, Business Research Methods by Bryman & Bell 2011 & Application of Case Study Research by Robert K. Yin 2003) and there are many other recent sources & reports have used which are not highlighted here but in the reference lists or inside the main texts readers can see when they will read this research in the future. Trustworthiness is the term, which specifies the importance of showing the results, which are found in this research and can be trusted. There are various tests and tactics that are to help to make sure that the research is reliable, valid and trustworthy. In the literature, four tests exist that have been commonly used to establish the quality of any empirical business research (Yin, 2003), which construct validity, internal validity, external va-

lidity, and reliability. Bryman & Bell, (2011) stated that validity, reliability is the most prominent criteria for the evaluation of business and management research.

Internal validity shows the relevance of the structure and methods adapted in the research work. Bryman & Bell (2011) stated that internal validity concerns whether or not a finding that incorporates a between two or more variables is sound. In this study the conclusion is very much dependent on the variable like actual response group to reflect a true result. Here the Grameen bank itself maintained the significance and the data analysis presented below.

According to Yin (2003, p34), the use of theory in single-case studies increases the external validity of that particular case study (Yin 2003, p 34; 37). External validity means that study can be generalized beyond the specific research context (Bryman and Bell, 2011). External validity is concerned with the question of whether the results of a study can be generalized beyond the specific research context is another important aspect that has been tried to enhance. In this research work theory on microfinance has been reviewed in respect of Bangladesh and international perspective, and data analysis is done in light of this theory. Wide literary review together with analysis in comparison to existing theory aims at increasing external validity of this research work. This research result is a true representation of the situation of the micro finance practices by Grameen Bank Limited in Bangladesh.

Reliability within the study means whether the results of a study are repeatable or not. It also indicates the degree to which the measure of concept is stable (Bryman and Bell, 2011). It is done in a way that the sample size truly represents the population of the study. Proper procedures are also maintained while manipulating collected data into conclusion. Thus the same result can be found in any occasion and other observers can also replicate the study. As this research is based on a practical customer survey and a successful micro finance lender Grameen Bank, so, the reliability of the research is heavily depends on the present situation of microfinance in Bangladesh MFIs.

According to Bryman & Bell, (2007), confidentiality means that the identities and records of individuals and organizations should be maintained as confi-

dential. For a number of reasons, the information received from the respondents can be of a sensitive nature. In this research, the author is committed to the Grameen Bank authority to assure them that no third party would gain any access concerning the collected information of customers and employees. The author also equally guaranteed them that the information collected would be used for the academic purposes only.

4.3 Content analysis and descriptive methods of data analysis

As Ghauri and Grønhaug (2010, p108-109) clarify, case study research is useful particularly, “when the phenomenon under investigation is difficult to study outside its natural setting and also when the concepts and variables under study are difficult to quantify”.. This research is very practical and has followed the descriptive method of the study. Descriptive method of content analysis observes the quantitative and qualitative data which is established the following methods as e.g. received data analysis, practical interviews & surveys with the objective of summarizing the results of research question. The questionnaires and received data will be presented in straight as a descriptive summary which has been structured according to the needs of this study. This study uses both descriptive and exploratory research design (Ghauri and Grønhaug, 2010, p56-57) & descriptive design is suitable to describe the processes and practices of any kinds of businesses. To gain the purpose of this study, content analysis procedure has been conducted by the following steps

- Definition the research question
- Review of the collected data & Informational contents
- Interviews and notes
- Practical survey and questionnaire evaluation
- Descriptive summary of the key results
- Research question conclusion & Suggestions

According to (Bell & Bryman 2011) descriptive research is a research for which the purpose is to produce an accurate representation of persons, events or situations whereas, an exploratory study is a valuable means of finding out ‘what is happening; to seek new insights; to ask questions and to access phenomena in a new light’. According to (Bell & Bryman 2011), an explanatory research establishes a relationship

between the variables. It can take statistical tests such as correlation in order to get a clearer view of the relationship. This study is the combination of both descriptive and exploratory research. In this thesis the author conducted survey to collect data from the final customers, which indicates that the study is descriptive in pattern. This study also applies a case study design. A case study is most often used in exploratory research (Saunders, Lewis & Thornhill 2009). In this research a case study is implied to gather employees 'opinion through practical interview method which is a qualitative study and explorative in nature (Malhotra2005). However, in contrast, the main tasks in such research are to isolate the causes, and tell weather and to what extent causes, results, in effects. (Ghuri & Gronhaug 2010)

5 RESULTS

In this chapter the results is presented for the study. The presented information has been collected from customers based on questionnaire and from employees through practical interview. And questionnaires analysis has been done by SPSS and its results are also presented in this chapter.

To find out the influence of microfinance system especially in rural poor people's life status improvement process author went to visit a village in Bangladesh to interview some Grameen Bank borrowers. The name of the village is Chandpur, which is MY hometown too. I interviewed 100 customers in that village. I also collected the required data from the customers based on their demographic features gender, age, occupation and income level. It means that the responses of the customers come from various variables, which reflect that the findings of this study are more reliable. From that interview I found that most of the borrowers along with their family members took microloan in order to generate income by investing that money in several activities. After receiving the practical-interview results from the borrowers in BD, questionnaires results are analizing according to Huberman and Miles (1994, p23) cited in Ghauri & ronhaug (2010, p199) data analysis model figure 10 below:

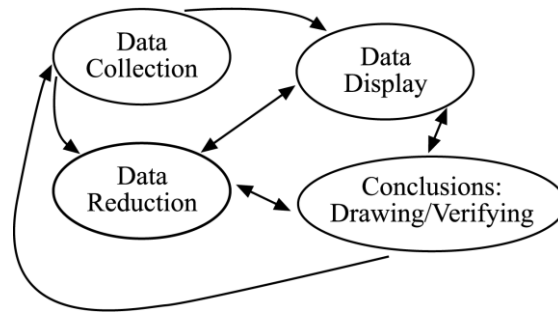


FIGURE 10: COMPONENTS OF DATA ANALYSIS: INTERACTIVE MODEL.

The responses are presented in the data presentation. Based on responses, outcomes are presented and analyzed below with graphical presentation. For the analysis, interpretative approach was applied because it enables to interpret social actions and human activity into a text form. It allows researcher to express the symbolic expression and discussion in the interview into text format for analysis. The reason for the continuous data collection and analysis is caused by modest a prior understanding of the problem. As more data (evidence) are collected and analyzed the problem becomes gradually clarified. An analogy is the effort of a detective trying to find the person guilty of a crime. (Ghauri & Gronhaug 2010)

5.2 Description of received data

With the proper objective of this research, the author has interviewed 100 Grameen Bank borrowers in his hometown Chandpur in Bangladesh with multiple types of questions (Questionnaires are added in the appendices and descriptive results) to know the reality and influence of micro-loan system in rural people in his country. The author has designed the questionnaires with 28 questions including with the basic questions for example: name, age, and sex and education level of the borrowers. The questionnaires contain general questions, customer demographic questions, and micro credit related questions and the other questions focusing on the suggestions, improvement of this loan systems. The questionnaires also contain the data, which are asked to the respondents to know the details and results of the research.

Therefore, to get the correct and specific results of the respondents' answer author has considered completing the analysis by using SPSS statistics software, which will help to get exact positive and negative results. During the analysis from 100 questionnaires author has rejected 19 respondents' answer because of data missing, not being understandable in some parts and because some respondents did not answer all the questions. So, only 81 questionnaires' answers were accepted and they would be discussed in the following table and it will show how the respondents' answers have been analyzed. In the appendices there is added descriptive (qualitative) statistics model and here are the quantitative results of the questionnaires analysis results and this will be discussed detail in the further paragraphs.

5.2.1 Demographic information of the respondents

In the data presentation name and family members of the respondents are not showing because of privacy and ethical perspective. Otherwise, the following figure and table show the average level of loan-taking customers' age and sex, where it shows 100% of the respondents are female. Therefore, the respondents who took the loan are mostly middle aged and married having family. The respondents' education status is that 76% are primary level and only a few percentages are high school level and the rest are illiterate. As GB does not offer any loan to the men and so far we didn't get any single male respondent to answer our questionnaires.

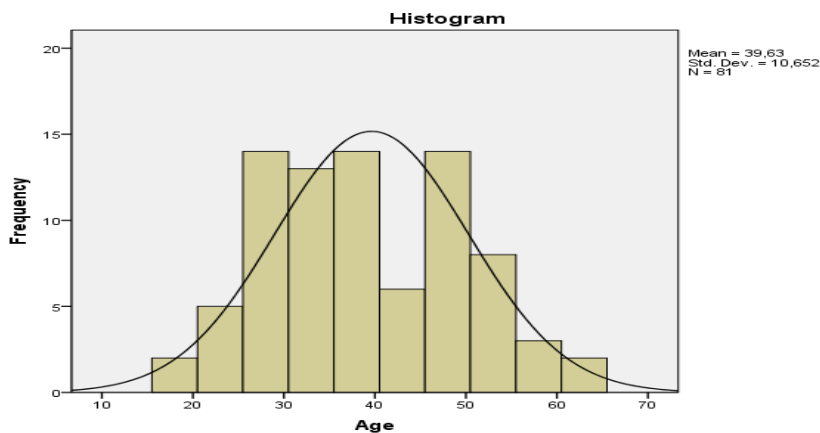


FIGURE 11: RESPONDENTS AGE

TABLE 6: RESPONDENTS GENDER

Gender

| | | Frequency | Percent | Valid Percent | Cumulative Per- cent |
|-------|--------|-----------|---------|---------------|-------------------------|
| Valid | Female | 81 | 100.0 | 100.0 | 100.0 |

TABLE 7 : RESPONDENTS' EDUCATION

Education

| | | Frequency | Percent | Valid Percent | Cumulative- Percent |
|-------|----------------|-----------|---------|---------------|------------------------|
| Valid | Primary School | 76 | 93.8 | 93.8 | 93.8 |
| | High School | 5 | 6.2 | 6.2 | 100.0 |
| | Total | 81 | 100.0 | 100.0 | |

5.2.2 Reasons for taking the loan, number of loans and current occupation of the respondents

The following figures 12 and 13 show the reason of taking the loan from MFI, number of loan, occupation of the customers before taking the loan and current occupation of the respondents. The figure shows that most of the borrowers take loan for the business purpose, for buying cattle and for farming. Bangladesh is an agriculture-based country & we do have lot of farmers who need such small loans for buying cattle, water pumps and so on. On the other hand, the diagram shows that respondents mostly took their second and third loans from the MFI and some customers also took eighth number loans.

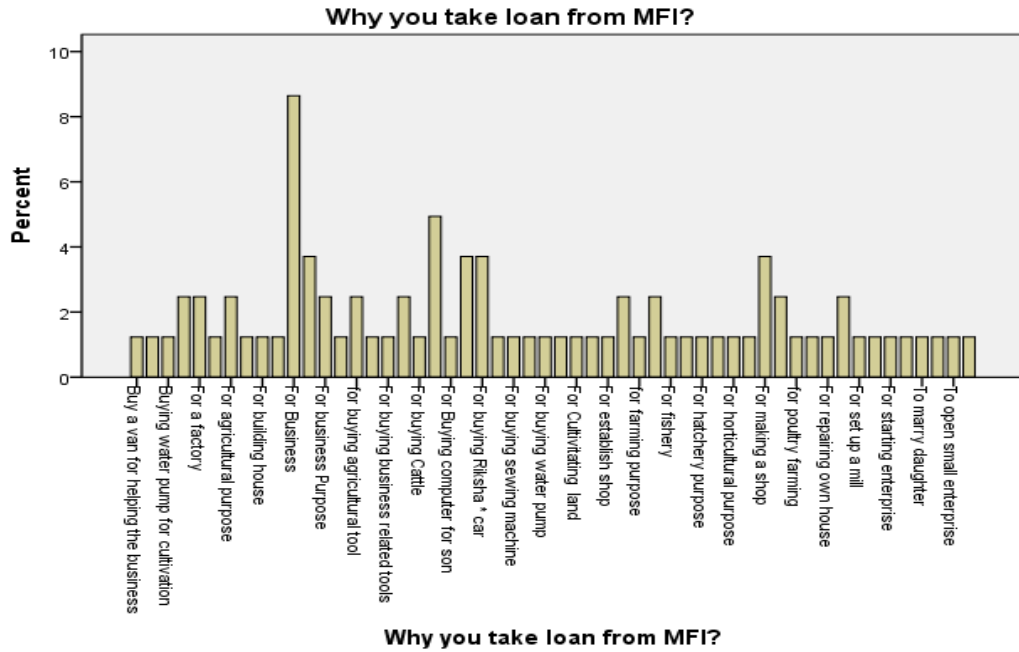


FIGURE 12: REASON FOR TAKING THE LOAN

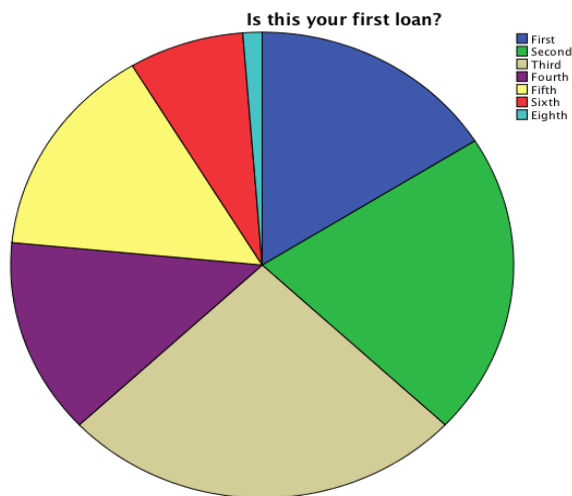


FIGURE 13: LOAN NUMBERS

It is also visible that the following figures 14 and 15 are presenting the occupation of the respondents before taking loan and that 43 percent of the respondents were housewife and the rest of them were doing business or doing some other jobs and we can see it in the table. In the diagram the results shows clearly that respondents in the current occupation are involved with the business, farming and the rest of are in different occupations. The following figure and table show us the present and past occupation of the respondents. It is also truly can be seen from here that how GB

loan has impact on the people's life by helping to create different kinds of occupation.

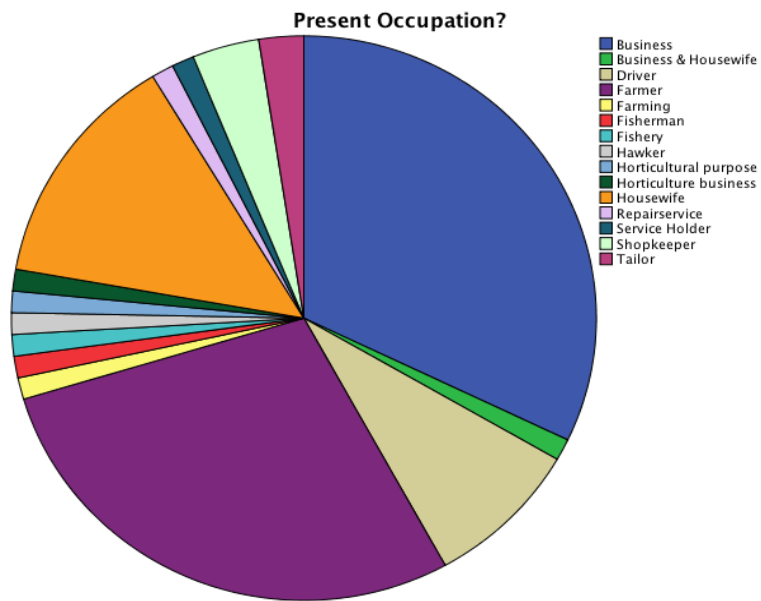


FIGURE 14: RESPONDENTS PRESENT OCCUPATION

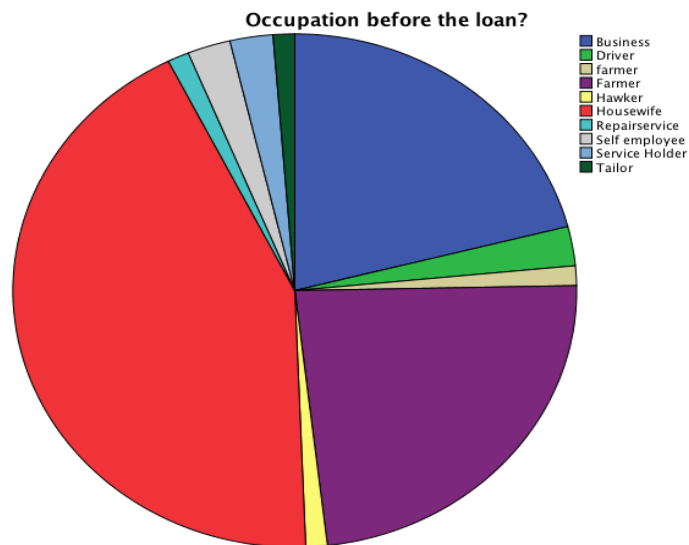


FIGURE 15: OCCUPATION BEFORE THE LOAN OF RESPONDENTS

5.2.3 Income generation

In the tables and figures 16, the loans granted to individuals are analyzed. The figure shows that the loan starts from 10000 taka to 700000taka (7lac) which is equivalent to €100 to €7000. Therefore, the most common amount of the loan in the following figure 16 is 50000taka equivalent to €500 euro taken by Grameen Bank borrowers. And second best amount of 60000taka which is equal to €600 & ultimately, the results also show that the higher amount loan-taking respondents are very few.

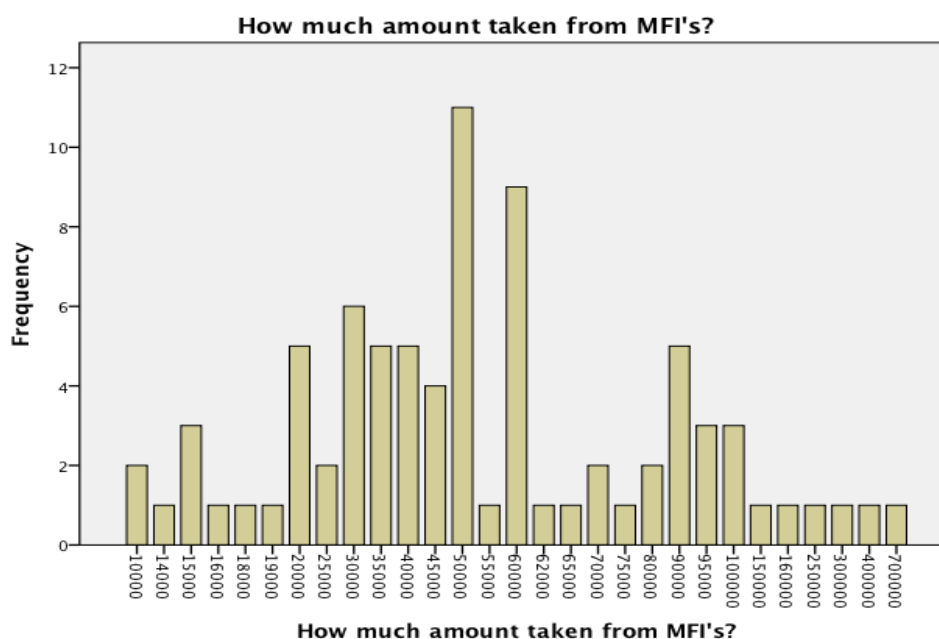


FIGURE 16: AMOUNT OF LOAN TAKEN BY RESPONDENTS FROM MFIS

The following table 8 captures the data showing that the respondents have increased their income level up to 90% and the rest are not successful to use the loan. Generally, People take the loan to change their economic condition by operating businesses, single ownership businesses, farming, entrepreneurial activities etc. Therefore, the relationship between increase of income and increase of basic need was showed with the Statistical program, which shows that microfinance loan helps to alleviate poverty. So, the following table 8 presenting the present occupation of respondents, their thinking about Grameen Bank loan policy & guarantee of their basic needs after using the loans from GB.

TABLE 8 : PRESENT OCCUPATION, BASIC NEEDS, MICROFINANCE POVERTY ALLEVIATION OF RESPONDENTS

Can you increase your income level from present occupation?

| | | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------|-------|-----------|---------|---------------|--------------------|
| Valid | Yes | 78 | 96.3 | 96.3 | 96.3 |
| | No | 3 | 3.7 | 3.7 | 100.0 |
| | Total | 81 | 100.0 | 100.0 | |

Do you think this microfinance program will help to lessen your poverty?

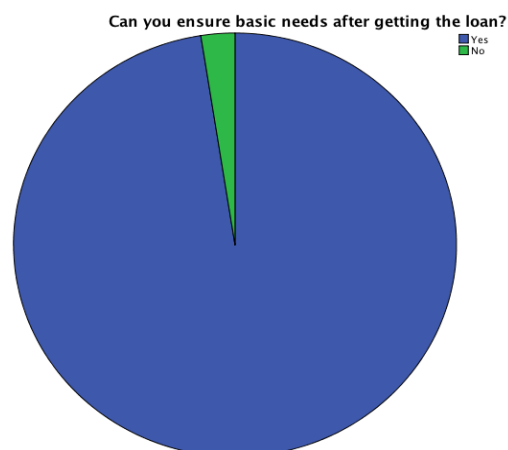
| | | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------|-------|-----------|---------|---------------|--------------------|
| Valid | Yes | 78 | 96.3 | 96.3 | 96.3 |
| | No | 3 | 3.7 | 3.7 | 100.0 |
| | Total | 81 | 100.0 | 100.0 | |

Can you ensure basic needs after getting the loan?

| | | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------|-------|-----------|---------|---------------|--------------------|
| Valid | Yes | 79 | 97.5 | 97.5 | 97.5 |
| | No | 2 | 2.5 | 2.5 | 100.0 |
| | Total | 81 | 100.0 | 100.0 | |

5.2.4 Changing in the life after using the loan

The following table and figure 17 shows that respondents were considered to be poor before they took the loan. After getting the loan majority of the respondents are able to ensure the basic needs by using the micro finance in a proper way.



Did you consider that you were poor before taking the loan?

| | Frequency | Percent | Valid Percent | Cumulative Percent |
|-----------|-----------|---------|---------------|--------------------|
| Valid Yes | 81 | 100.0 | 100.0 | 100.0 |

FIGURE 17: RESPONDENTS' CONSIDERATION BEFORE LOAN AND AFTER GETTING LOAN

On the other hand, the following figure 18 is presenting the data that some of the loan users have other MFIs loan too because the GB loan and instalment period of the loan is similar to everyone. Around 75 percent of the respondents are not taking pension fund scheme offered by GB but 25 percent are taking the scheme for future retirement financial safety.

| Do you have any other loan from other MFIs? | | | | | |
|---|-------|-----------|---------|---------------|--------------------|
| | | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | Yes | 9 | 11.1 | 11.1 | 11.1 |
| | No | 72 | 88.9 | 88.9 | 100.0 |
| | Total | 81 | 100.0 | 100.0 | |

How many installments have you left to adjust the loan?

| | Frequency | Percent | Valid Percent | Cumulative Percent |
|----------|-----------|---------|---------------|--------------------|
| Valid 44 | 81 | 100.0 | 100.0 | 100.0 |

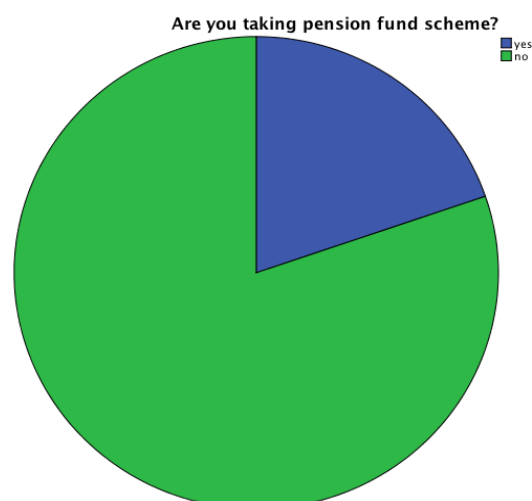


FIGURE 18: RESPONDENTS PENSION SCHEME, OTHER MFI LOAN & NUMBER OF INSTALLMENTS

5.2.5 Loan suggestions and future thinking related to loans by the respondents

Microfinance institutions' saving facilities will help the respondents in their future and the following tables show that around 96 percent customers are positive. The majority are positive about their social status after getting loan facility from GB. On the other hand few of the respondents disagreed and gave negative feedback from the same questionnaires in this research. As a result some of them did not participate in the savings fund program and neither planned for adjusting the loans.

TABLE 9: ADJUSTING THE LOAN AND FURTHER PLAN OF MFI SAVING FACILITIES

| Do you think MFIs' saving facilities will help you in the future? | | | | | |
|---|-------|-----------|---------|---------------|--------------------|
| | | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | Yes | 78 | 96.3 | 96.3 | 96.3 |
| | No | 3 | 3.7 | 3.7 | 100.0 |
| | Total | 81 | 100.0 | 100.0 | |
| Do you have any plan for further loan for adjusting the current or existing loan? | | | | | |
| | | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | yes | 27 | 33.3 | 33.3 | 33.3 |
| | no | 53 | 65.4 | 65.4 | 98.8 |
| | 11 | 1 | 1.2 | 1.2 | 100.0 |
| | Total | 81 | 100.0 | 100.0 | |

The following tables 10 are concerning about the micro lenders social stautus and level of income after getting the loan. We can see the clear percentage changing level from the tables.

TABLE 10: INCOME GENERATION FROM THE MF LOAN AND CHANGING SOCIAL STATUS OF RESPONDENTS

| Can you increase your social status after getting loan? | | | | | |
|---|-------|-----------|---------|---------------|--------------------|
| | | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | Yes | 78 | 96.3 | 96.3 | 96.3 |
| | No | 3 | 3.7 | 3.7 | 100.0 |
| | Total | 81 | 100.0 | 100.0 | |
| Is your income is enough to repay the loan at the moment? | | | | | |
| | | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | Yes | 79 | 97.5 | 97.5 | 97.5 |
| | No | 2 | 2.5 | 2.5 | 100.0 |
| | Total | 81 | 100.0 | 100.0 | |

The above table 10 shows that GB customers are able to pay their loan and majority of them are able to pay their instalment with the enough earnings. Only few a percent cannot change their earnings level and that is considered as a bad creditors or the lack of knowledge in investments or crediting repayment policy. On the other hand, micro-finance loan suggestions from the respondents & future thinking about the loans, saving funds questions results are given below:

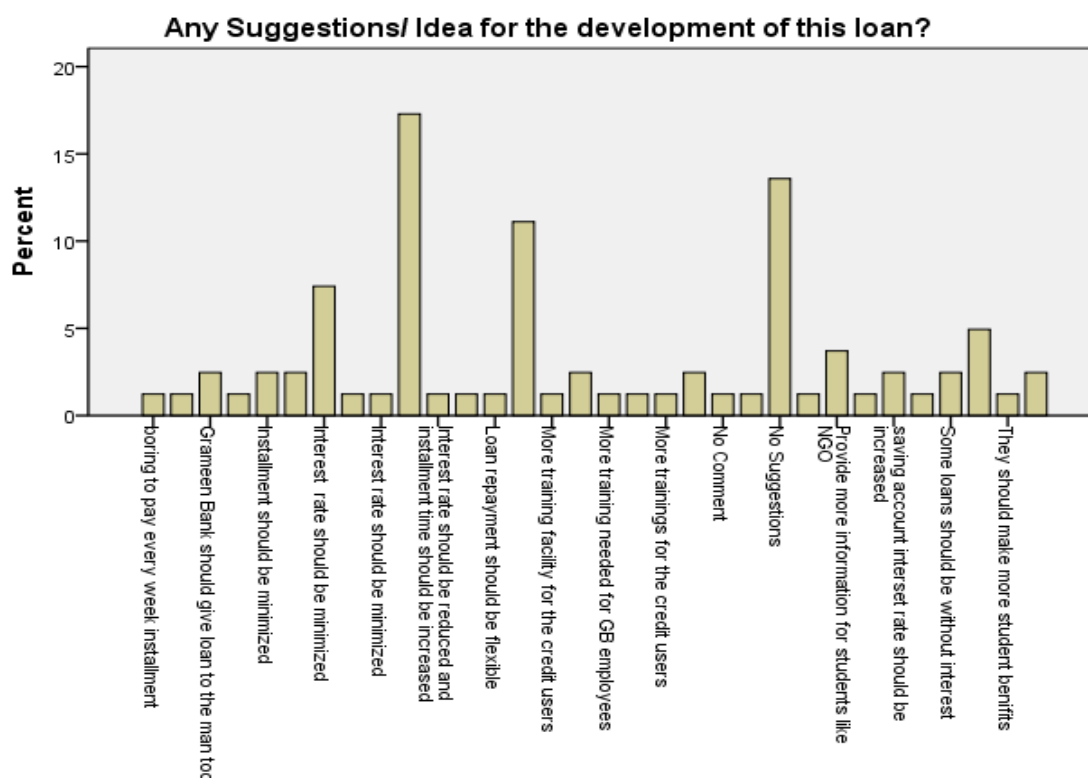


FIGURE 19 : SUGRESSIONS FROM THE RESPONDENTS ABOUT THE MICROFINANCE IMPROVEMENT

The above figure 19 shows that most of the respondents complained about the payment period and demand more time from the GB. Some of the borrowers complained about the high interest rate against the loans. Therefore, some of the respondents also did not comment or suggest anything for the improvement and some were suggesting to get credit facility without interest. Moreover, some borrowers were expecting GB to provide the loan for men too, as GB did not provide loan to them. The following figure 20 also suggests that some of the borrowers had to sell property to repay the loan and the majority of the respondents did not to pay the loan.

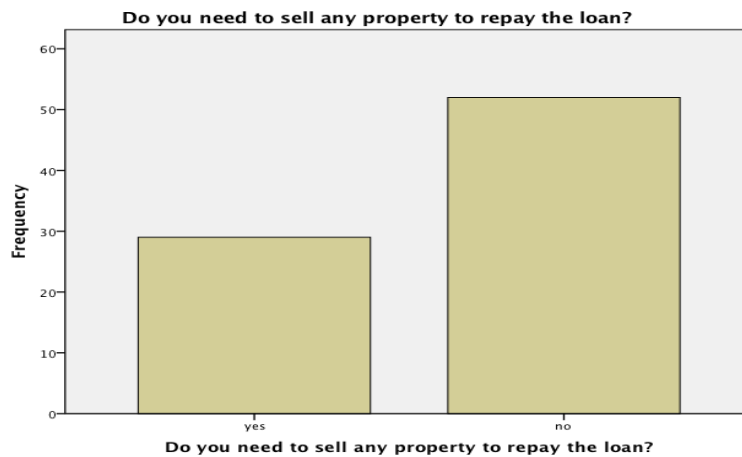


FIGURE 20 : RESPONDENTS' REPAYMENT ABOUT THE LOAN

The following diagram shows 21 that most of the borrowers think that the microloan system services is the best part of the MFI management system and which has a positive future too and we can see the picture from the diagram. Even though there are lot of suggestions and comments about the microfinance service, but it is still regarding as a poverty reduction policy and it brings back poor peoples to work force.

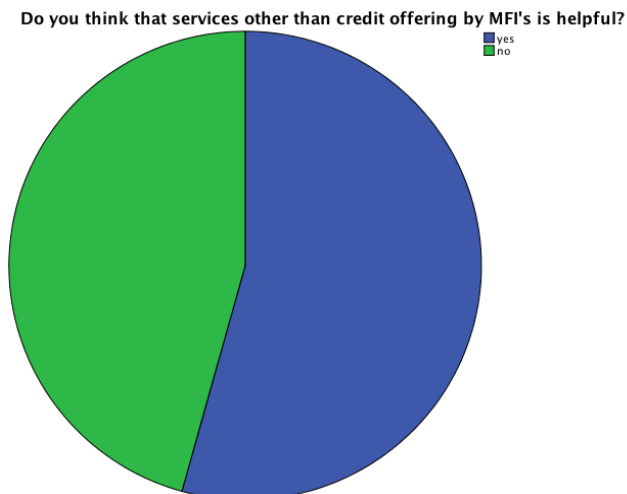


FIGURE 21: RESPONDENTS' ANSWERS ABOUT THE SERVICES OTHER THAN MFIS HELPFUL

| Do you want to share any other information? | | | | | |
|---|-------|-----------|---------|--------------|------------------------|
| | | Frequency | Percent | ValidPercent | CumulativePer- cent |
| Valid | Yes | 1 | 1.2 | 1.2 | 1.2 |
| | no | 80 | 98.8 | 98.8 | 100.0 |
| | Total | 81 | 100.0 | 100.0 | |

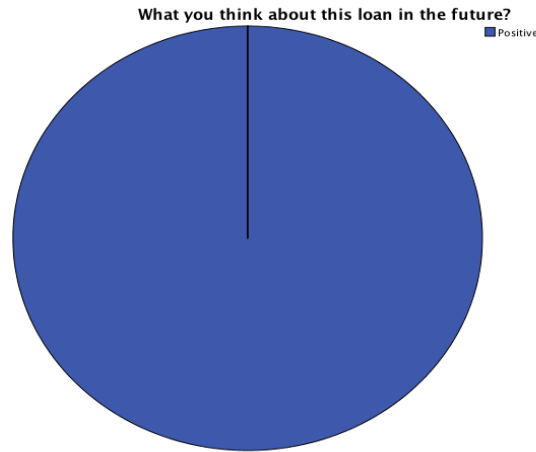


FIGURE 22: THE FUTURE OF MICROFINANCE & SHARED INFORMATION EXTRACTED FROM THE ANSWERS BY THE RESPONDENTS

At the end of the questionnaire analysis the above diagrams 22 shows that respondents did not want to share more information, only they think micro-finance has a positive future with necessary development to make the process smoother. However, Grameen Bank borrowers have suggested developing the services in the management systems, interest rate, providing correct information flow etc. and author will discuss about these in the managerial recommendations paragraph in chapter 6 of this research.

5.3 Summary of the questionnaires results

Considering the time, research subject, I have showed the descriptive and frequency tables, figure analyses above and provided the important part of questions analysis. "Success depends on its proper utilization". Based on the detailed questionnaires analysis it is deeply understood that micro-finance is a considerable tool and analysis of this research positively indicate the changes in borrowers lives such as: (human capital, social capital and economic variables). Apparently, people make mistakes and that is normal in the life, so all borrowers of GB's cannot be successful by

using loans but majority are successful and author proved it by the analysis of results. In addition, that's how positive and negative feedback author evaluate by the interviews and getting the improvement idea from them. As a result, credibility of the data analysis and presentation of the information flow also have a positive outlook which build a strong trust and these are presented above with lot of summarized figures and tables.

However, the questionnaires analysis proves that most of the borrowers have improved and got support to improve their life. Likewise most of the borrowers suggest lowering the interest rates of the loan and more time to repay the loan. Besides, some borrowers also want some other support from Grameen Bank like social work e.g. children educational facilities, scholarship, low interest rate etc. The following figure 23 shows the impact level in respect of the positive and negative impacts before making decision for the loan (Ledger-wood 1998):

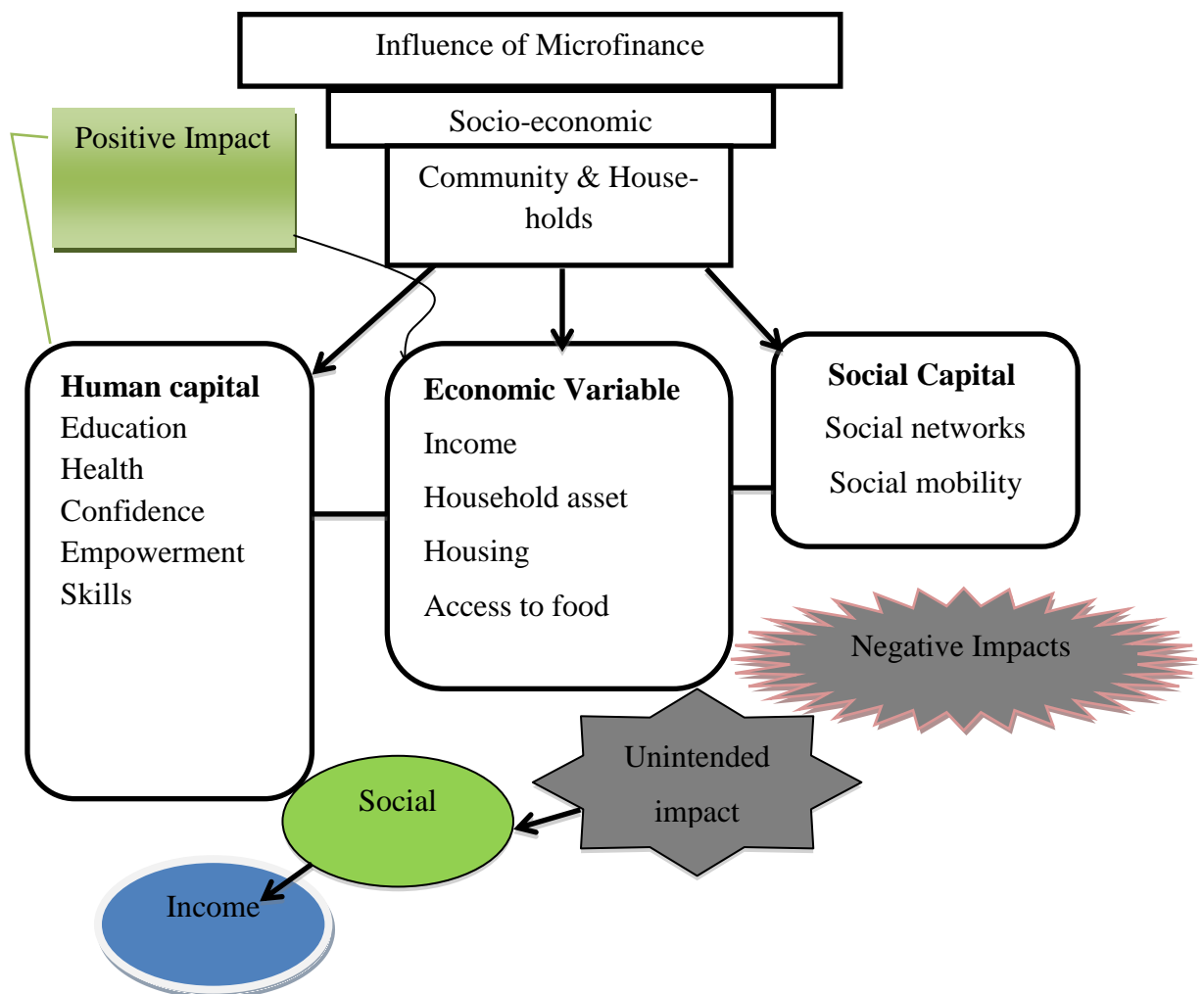


FIGURE 23: INFLUENCE OF MF AFTER INTERVENTION (IMPACT OF MICROFINANCE REVIEWED)

Figure 23, has provided the influence of microfinance in respect of socio-economic perspective and also in community perspective. This figure 23 also added the positive and negative influences and the overall impacts are fall under three major variables them are; human capital where it defines (education is very important to poverty alleviation, health is important for the households and development & skills is necessary to develop in every aspects of life), economic capital (income is necessary to expense and savings, housing necessary for living and access of foods), and Social capital falls under social network and social mobility. Therefore, these are the major indicators that MFIs should work on and these are the scientific process where policy makers and managers should focus on.

6 CONCLUSION AND FURTHER RESEARCH

This chapter contains the results of the analysis, recommendations for the MFIs and suggestions for further research in this area. And also contains the ethical reflections of the research, analysis of findings to provide the results, in relation to the selected theory for this study.

6.2 Summary of major results: Influence of Grameen Bank in Bangladesh and criticism towards it

This research focused on achievements and challenges of the Microfinance Institutions by using Grameen model and its influences on rural area in Bangladesh. The study was undertaken to study (?) to the various dimensions of the Microfinance institutions according to their influence on the customer satisfaction level and further, to determine the level of achievement of the key microfinance goals as the outcome of the quality and reduce the poverty line. Razzak (2011) stated that microfinance is like an integrated financing program that covers all the features of the poor people's daily

life. To generate self-income activities, it also offers start-up capital for its borrowers. Besides some other financial services, MFIs are also making contribution to improve their borrower's life status by offering some non-financial services. Therefore, these people can survive having their basic human rights not only for themselves but also for the rest of the family members. The results can be seen in the data analysis chapter. Therefore, the concept of microcredit tiny microloans used to help establish or expand income-generating informal microenterprises was for most of the last 30 years seen by the international development community to be the perfect self-help answer to poverty, unemployment and under-development. The empirical evidence on the influence of micro-credit on poverty is very mixed. Far from being a panacea for fighting rural poverty, microcredit can impose additional burdens on the rural poor, without markedly improving their socio-economic condition. To sum up, all these findings show that the microfinance idea provided by the Grameen Bank creates a significant customer satisfaction and as a result, key goals are achieved as well by creating employment and entrepreneurship.

The research question results also indicate that GB customers are very conscious about the standard of its services except the interest rates and give priority of the loan instalments expansion, and trainings etc. When these suggested service systems are properly improved, then the customer satisfaction occurs and customers can be kept in a long run. The role of Microfinance is very important in this kind of developing country like Bangladesh and similar situation in other countries as well. Similarly, the major EU members could apply this microfinance formula such as Spain, Greece, Italy, Portugal, Ireland, and Cyprus. As well as these are the nations where there are many problems increasing recently for example, poverty & unemployment are rising day by day. Microfinance is not an option for reducing poverty or unemployment but microfinance implication in the rural society can help to eradicate poverty and increase the self-employment rate in the society.

Experience shows that if country such as, Bangladesh depends on heavily on microcredit for alleviating poverty; poverty will remain – to keep the microcredit venture alive. Grameen Bank's "wonderful story" of prosperity, solidarity and empowerment has only one success. In place of failed Yunus-style microfinance and informal microenterprise legends, we now urgently need to rediscover and revalidate the role of the

MFI's sector. It also suggests that the government, with micro-credit intervention, should also apply other techniques of poverty reduction to solve the poverty problem in Bangladesh. That is the reason why this idea becomes a global buzzword and its success story and applicability are almost everywhere now. Therefore, the following figure 24 also shows that, research question results in three aspects them are economic level, income level and social level and all in all it shows that socio-economic development is the key achievement of this research.

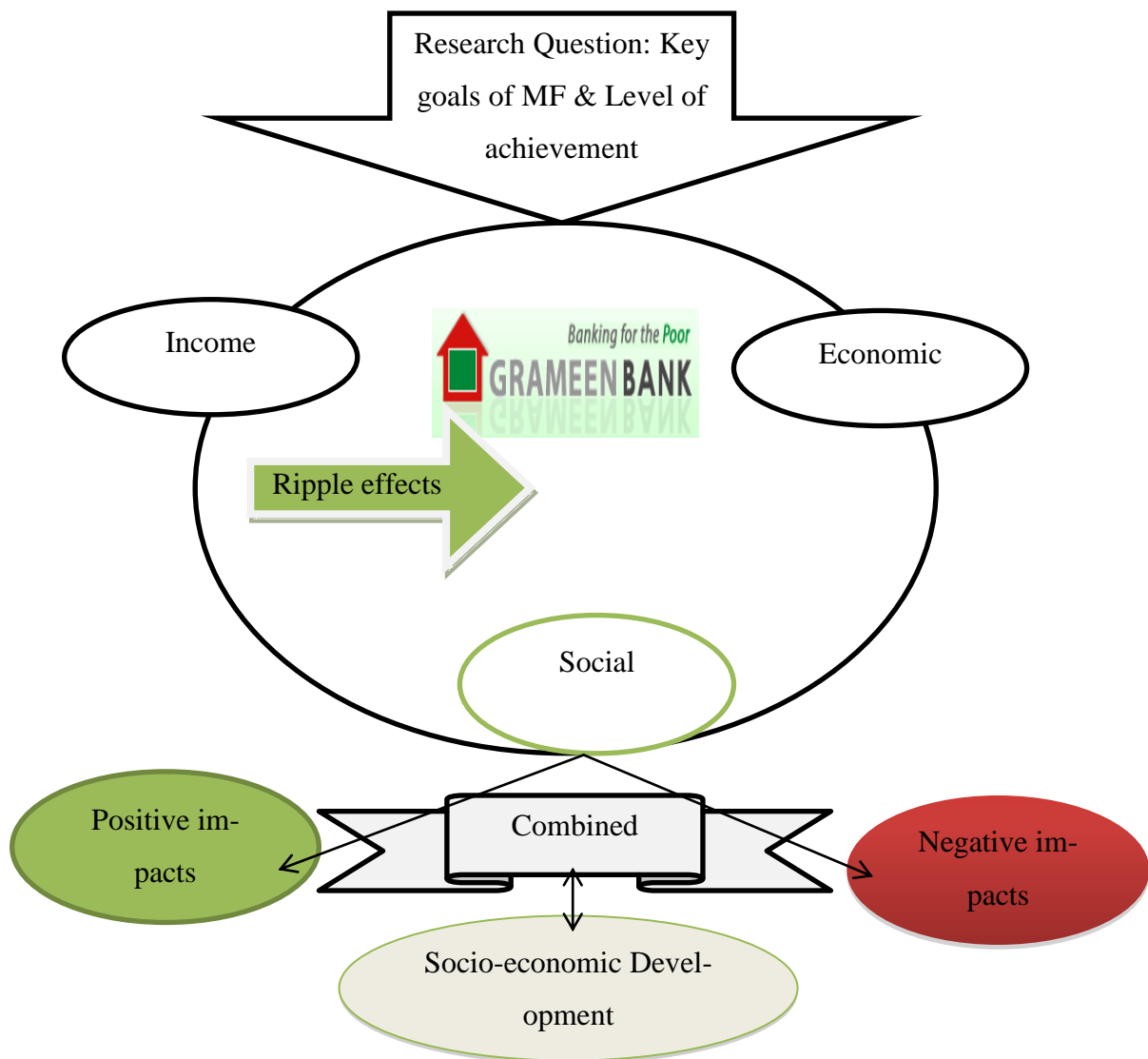


FIGURE 24: FINAL REVIEW OF THIS RESEARCH QUESTION AFTER INTERVENTION OF FIGURE:

At the end, the above figure 24 shows about the research that is indicating how this microfinance works after being applied in the society. Additionally, this figure also shows the research question answer at a glance and it is proved that the research question has brought a successful results which can be applied in anywhere by maintaining the laws and cultures.

Considering all positive features of microfinance there are some controversial buzzes happened about the Grameen Bank and its founder Dr. Muhammad Yunus. Personally here I would like to present some information about it to make clear the readers mind about GB recent crisis. As Bangladesh has its political instability and its controversial economy, which are due to the poor government policy, GB cannot change every rural person or make its all customers happy. So, the GB competitors, who are pressurized by the Government and it's some other media, are also run same kinds of system under the micro-finance regulatory authority (MRA). Bangladesh government has published the negative impacts of GB. But in general, by GB there are majority of its customers are happy, which author presented above in the questionnaires results chapter. Also Grameen Bank is the only bank in Bangladesh, which is owned by its customers, so the dividend of Grameen Bank goes directly to their shareholders. Waterfield (2011) mentioned that the CEO of GB's only get €9000 as a salary in a year and he is not owning even 1% of Grameen Bank share to keep the organization transparent, in another way Chuck also mentioned in India CEO of a major MFIs earning millions of dollar in a year and the report have published in the microfinance transparency report (2011). Consequently, MFIs sectors have gained (?) some criticism but still this sector has more beneficial and sustainable idea to reduce the level of poverty in any country in the world.

6.3 Managerial Recommendations for GB

The research work has been carried out based on the GB's performance and influence in the rural people in Bangladesh and it is based on the author's research questions results: *"How high is the level of achieving the key goals of microfinance to improve the life quality of rural area?"* So, the managerial recommendations and development suggestions for GB have shown below in the figure 21 and following paragraphs. On

the other hand, there are couples of paragraph given below, which are representing the overall critics and positive outlook of GB. So, the managerial recommendation is divided into five major factors for MFIs and also for the Grameen Bank and author has found these recommendations in the customer interviews, author's own research and from customers' recommendations describe in figure 25:

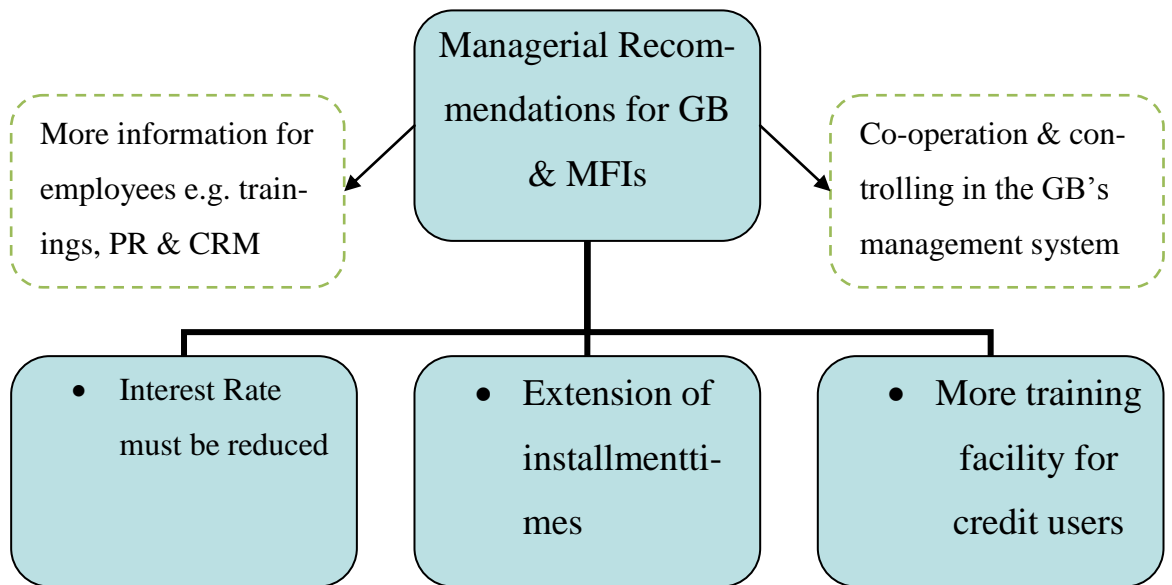


FIGURE 25: MANAGERIAL RECOMMENDATIONS FOR GB AND FOR MFIS

The above figure 25 has recommended that the GB and other MFIs should be reduce the interest rate to make micro-loan systems more fruitful for the customers, installment times also need to make more flexible so that customers can utilize and pay back with the improvement without risks and every customers can not develop same way their income generation and loan payments from the same loan facilities. Besides these, GB has to provide more training facilities like Finnish organizations, companies, and public institutions and also in every business in Finland has been doing. Therefore, GB & MFIs should have a strong management system where they can examine the employees' performance and how they use the information flow in the field. Finally, there are training facilities and information flows for the GB's customers too and the personnel should implement these principles strongly, so that customers can get proper information to use the loan and to create work facilities.

The founder of GB believed that microfinance system could end the world poverty by proper distribution and utilization. The Grameen Bank has saved millions of poor people's lives in Bangladesh. There are many success stories author has found during this research finding and GB's customer interviews. Equally many others, I found that Grameen Bank's principal and its creative plan; trainings and supports materials are really helpful for the rural people in Bangladesh and I also believed and agreed with the GB founder Dr. Yunus that these poor people do not create poverty, the systems or institutions or the Govt. policy creates it. However, Grameen Bank is not just raising capital or giving loan to the poorer, it is also a symbol of women respect where they have been deprived from normal banking systems and it creates the opportunity for the poorer. There are those who believe that solving world poverty is not as simple as giving loan to the poorer, that it must tackle also the bigger pictures.

6.4 Evaluation of this study & Ethical reflections of the research

The main focus of this research and development work is connected with day to day life and concerns with wide interest of developing life status of low earning people in the developing world and also in developed world. This research can be used in the future as an advanced tool for improving the economic situation of low income or unemployed peoples e.g. Spain, Greece & Italy as advanced nations, Bangladesh, India, and Nepal as developing nations and some poorer part of Asia and Africa continent too. A research work can be vital in practical life with a new viewpoint of working with the system or method, which can be understood after evaluating the research work. Besides these, this work has also showed that focusing on main issues with the intention of analyzing the future outcome of a system should be measured.

The structure of the questionnaires and research question results has brought quality results of this research. Moreover, the structure of the research is in six parts that is a successful combination of research compared to other similar researches. And this research has brought also practical interviews results, where author has use statistics software to get the exact results and customers' opinion to develop these financing systems. So, it is overall a practical learning and can be applicable in any country under the necessary laws. Through the thesis author has got better understanding about

micro financing and importance of rural development in a country like Bangladesh. On the other hand, for this research author has gone through many different types of research including SPSS, questionnaires survey and research books in global context. Importance of learning by this research is highly connected with the today's practical life. However, the following evaluation of this research model will present a short picture that will be described after the figure 26.



FIGURE 26: EVALUATION OF THE RESERCH

Summarizing the above figure 26, there are number of reasons that are made this re-search more successful and forwarding. First of all, the research design has provided all the necessary steps including the typical parts of a thesis and also the methodology section also. Secondly, the results have been explained with tables, figures and with necessary commentary in the analysis parts. Considering all the data, author has learned through this research, international business management, banking, financing, MFIs, rural economics, importance of poverty reduction philosophy, innovations and its implication in different cultures in practical aspects. All in all, these are strengthening author's interest for future development in micro financing and it could be a weapon to reduce the poverty.

Ethics are explained as moral obligations to explain and answer the question under study in an accurate and honest manner (Ghauri & Gronhaug, 2010). Though there

were some potential barriers like time and distance factor while conducting this study, the author successfully completed it, as there were always transparencies about these potential limitations. The questionnaire that was set to interview the customers was set in a way that it should not embarrass the respondents and avoids any kinds of awkward situation. A pilot survey was done with a dummy questionnaire before the final data collection. The respondents were well informed about the data collection process. Moreover the reason for the study was clearly defined. Fortunately, the effort of this work has done fruitfully because all the respondents contributed by answering questionnaire. This thesis would not have been completed if I had not been a Bangladeshi Citizen. And it is successful for its information because 100 GB borrowers have contributed to do this research and GB officials in Chandpur district, my mentor, friends here, who have been reading this thesis, helped me to solve many issues regarding this thesis. This thesis and research work strengthened author's interest in both Micro-finance and international/global micro credit aspects and deepened author's interests in Finance and it's affects in practical. Also, a case study like Grameen Bank, which is effectively brought into author's successful attention together with Bangladeshi rural people's life status and influence of micro finance in their life, has proved how this credit facility can help to improve people's life and at the same time reduce the poverty level.

6.5 For further research

During the writing of this thesis, a few additional questions emerged and these would be helpful to develop the possible future research related to this kind of topic. Firstly, it could be really better to collect a large volume of primary data by including more survey questionnaires and interviews with the necessary information what author provides here in this thesis. Thus, the broader scope of the study would give more opportunities to the researcher. Secondly, it is better to use the statistical tools like SPSS, calculating tool and it gives more accurate results / output of the questionnaires. Moreover, the global microfinance management systems, World Bank, IMF, micro-finance transparency, United Nations and international MFIs will offer and make possible scope for future research too.

Thirdly, due to the political situation, Grameen Bank founder retirement, time and distance reasons author could not analyse the Grameen Bank employees' questionnaires analysis physically. As well as it would be better if author could get support from GB employees to provide the data in GB perspective not based on what is available in online and in books. So, in the future research direct communication with MFIs authorities and getting information physically also would be a good option for quality research. On the other hand, using scientific research in the microfinance sectors are also effective to evaluate and get greater output of the study. For instance, in this research author has used many international standard reports and researches e.g. World Bank, Microfinance Transparency, IMF, ADB, CGAP, UN and Microfinance Gateway etc.

So, considering the above three main criteria author would like to suggest some points for the future research and in the thesis writing such as, Wide data collection and physical involvement with the customers, using technical, statistical tools for bringing the accurate results, and also making sure to contact with the company / organization employees. About Micro-finance research: Bangladesh is a country where millions of peoples living under poverty line and this research have been done based on a number of customers. To understand the timings and materials author could not reach the whole nation and see their situation whether GB had changed their life or increased their poverty. However, this is not the main issue as Bangladesh has its own micro-finance regulatory authority and it has its own laws made by the Central Bank Board. So all along there are many ways to do more research in this field and more possibility to improve MFIs sector. After all author would like to say that, nevertheless the Grameen method does not offer a global solution to remove poverty but by empowering poorer people (especially women), by giving money and helping them for a short period of time, it has been establishing the way to alleviate poverty in the long run.

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APPENDICES

Appendix 1: Questionnaire for the Grameen Bank Customers.

Questionnaire for the Grameen Bank Customers!

1. Name of the respondent:
2. Age
3. Sex ☐ male ☐ female
4. Marital status.
☐ Married ☐ Unmarried ☐ Divorced ☐ Widowed
5. Highest level of education of the respondent.
☐ Primary School ☐ High school ☐ University
6. Detail information about family members:

| Name | Age | Education | Occupation | Income | Relationship |
|------|-----|-----------|------------|--------|--------------|
| | | | | | |

7. How much amount you have taken from MFIs?
Answer:
8. Is this your first loan?
Answer:
9. Why you take loan from MFIs?
Answer:
10. Occupation before taking the micro credit loan from MFIs.
Answer:
11. Present occupation after taking the loan.
Answer:
12. Can you increase your income from present occupation?
☐ Yes ☐ No
13. Did you consider yourself as a poor before taking the loan (per day income below USD 1.25)?
☐ Yes ☐ No

14. Do you think this micro credit program will help to alleviate your poverty?
Answer:
15. Can you ensure basic needs (including food, clothing, housing, education and medical care) for you and your family members after getting loan?
Answer:
16. Can you increase your social status after getting the loan?
☐ Yes ☐ No
17. Do you think MFIs saving facilities will help in your future life?
☐ Yes ☐ No
18. Are you taking pension fund scheme?
☐ Yes ☐ No
19. Do you think that services other than credit (including human development, skill promoting training, education and nutrition programs, and so on) offered by the MFIs are important for your life?
Answer:
20. How many installments you have left to adjust this loan?
Answer:
21. Do you have any loan with other MFIs?
☐ Yes ☐ No
22. Do you think your income is enough to repay the loan installments?
☐ Yes ☐ No
23. Do you need to sell any property to repay the loan installments?
☐ Yes ☐ No
24. Do you have any plan to take further loan after adjusting your existing loan?
☐ Yes ☐ No
25. Do you think that micro credit program help you to improve your overall life status?
☐ Yes ☐ No
26. Do you want to share any other information?
☐ Yes ☐ No
27. What you think about this kind of loan future?
☐ Yes ☐ No
28. Any suggestions / idea for the development of loan system?
Answer:

Appendix 2: Questionnaires in Bengali language for the GB customers.

গ্রামীণ ব্যাংক এর গ্রাহকদের জন্য প্রশ্ন

- ১। গ্রাহকের নামঃ.....।
- ২। বয়সঃ.....।
- ৩। লিঙ্গঃ ☐ পুরুষ ☐ মহিলা
- ৪। বৈবাহিক অবস্থা
☐ বিবাহিত ☐ অবিবাহিত ☐ তালাকপ্রাপ্ত ☐ বিধবা
- ৫। গ্রাহকের সর্বোচ্চ শিক্ষাগত যোগ্যতা।
☐ প্রাথমিক বিদ্যালয় ☐ মাধ্যমিক বিদ্যালয় ☐ বিশ্ববিদ্যালয়
- ৬। বিস্তারিত বিবরণ পরিবারের সদস্য সম্পর্কে।

| নাম | বয়স | শিক্ষাগত যোগ্যতা | পেশা | আয় | সম্পর্ক |
|-----|------|------------------|------|-----|---------|
| | | | | | |

- ৭। কত পরিমান টাকা আপনি MFIs থেকে গ্রহণ করেছেন ?
উত্তরঃ
- ৮। এটা কি আপনার প্রথম ঋণ ?
উত্তরঃ
- ৯। কেন আপনি MFIs থেকে ঋণ গ্রহণ করেছেন ?
উত্তরঃ
- ১০। MFIs থেকে ক্ষুদ্র ঋণ গ্রহণ করার পূর্বের পেশা ?
উত্তরঃ
- ১১। ঋণ গ্রহণের পরে বর্তমান পেশা ?
উত্তরঃ
- ১২। বর্তমান পেশা হতে আপনার আয় বেড়েছে কি না ?
☐ হ্যাঁ ☐ না
- ১৩। ☐ আপনি কি একটি দরিদ্র হিসেবে ঋণ গ্রহণ করার আগে নিজেকে বিবেচনা (প্রতি ১.২৫ ডলার নীচে দিন আয়) ?
☐ হ্যাঁ ☐ না
- ১৪। আপনার কি মনে হয় এই মাইক্রো ক্রেডিট প্রোগ্রাম আপনার দারিদ্র উপশম করতে সাহায্য করবে ?
উত্তরঃ

১৫। ঋণ পাওয়ার পর আপনি মৌলিক আপনি এবং আপনার সদস্যদের জন্য প্রয়োজন (সহ খাদ্য, বস্ত্র, বাসস্থান শিক্ষা ও চিকিৎসা) নিশ্চিত করতে পারবেন ?

উত্তরঃ

১৬। ঋণ পাওয়ার পর আপনি আপনার সামাজিক অবস্থা বৃদ্ধি করতে পেরেছেন ?

☐ হ্যাঁ ☐ না

১৭। আপনি কি মনে করেন সংরক্ষণ সুবিধা আপনার ভবিষ্যত জীবনে সাহায্য করবে ?

☐ হ্যাঁ ☐ না

১৮। আপনি কি পেনশন ফান্ড প্রকল্প গ্রহণ করবেন ?

☐ হ্যাঁ ☐ না

১৯। আপনার কি মনে হয় যে পরিষেবা ঋণ (সহ মানব উন্নয়ন, দক্ষতা প্রশিক্ষণ, শিক্ষা এবং পুষ্টি প্রোগ্রাম ধরার, ইত্যাদি) MFIs দ্বারা দেওয়া ছাড়া অন্য আপনার জীবনের জন্য গুরুত্বপূর্ণ ?

☐ হ্যাঁ ☐ না

২০। আপনি কত কিস্তিতে এই ঋণ পরিশোধ করবেন ?

উত্তরঃ

২১। আপনি কি অন্য কোন MFIs থেকে ঋণ গ্রহণ করেছেন ?

☐ হ্যাঁ ☐ না

২২। আপনি কি মনে করি আপনার আয় ঋণ পরিশোধ করার জন্য যথেষ্ট ?

☐ হ্যাঁ ☐ না

২৩। এই ঋণের কিস্তি পরিশোধ করার জন্য আপনার কি কোন সম্পত্তি বিক্রির প্রয়োজন ?

☐ হ্যাঁ ☐ না

২৪। আপনার কি বর্তমান ঋণ পরিশোধের পরে আরো ঋণ গ্রহণের পরিকল্পনার আছে ?

☐ হ্যাঁ ☐ না

২৫। আপনি কি মনে করেন ক্ষুদ্র ঋণ সংস্থা আপনার সমগ্রিক জীবন ব্যবস্থা করতে সাহায্য করবে ?

☐ হ্যাঁ ☐ না

২৬। আপনি কি অন্য কোন অর্থ্য ভাগ করতে চান ?

☐ হ্যাঁ ☐ না

২৭। আপনি ভবিষ্যতে এই ঋণ সম্পর্কে কি মনে করেন ?

☐ হ্যাঁ ☐ না

২৮। কোন পরামর্শ/ঋণ ব্যবস্থা উন্নয়নের জন্য কোন ধারণা ?

উত্তরঃ

Appendix 3: A descriptive questionnaires analysis of GB customers.

DescriptiveStatistics

| Questions | N | Minimum | Maximum | Mean | Std. Deviation |
|---|----|---------|---------|----------|----------------|
| Age | 81 | 18 | 65 | 39.63 | 10.652 |
| Sex | 81 | 2 | 2 | 2.00 | .000 |
| Marital Status | 80 | 1 | 1 | 1.00 | .000 |
| Education | 81 | 1 | 2 | 1.06 | .242 |
| How much amount taken from MFI's? | 81 | 10000 | 700000 | 69864.20 | 92528.341 |
| Is this your first loan? | 81 | 1 | 8 | 3.19 | 1.598 |
| Can you increase your income level from present occupation? | 81 | 1 | 2 | 1.04 | .190 |
| Did you consider that you were poor before taking the loan? | 81 | 1 | 1 | 1.00 | .000 |
| Do you think this micro credit program will help to alleviate your poverty? | 81 | 1 | 2 | 1.04 | .190 |
| Can you ensure basic needs after getting the loan? | 81 | 1 | 2 | 1.02 | .156 |
| Can you increase your social status after getting loan? | 81 | 1 | 2 | 1.04 | .190 |
| Do you think MFI's saving facilities will help you in the future? | 81 | 1 | 2 | 1.04 | .190 |
| Do you take pension fund scheme? | 81 | 1 | 2 | 1.80 | .401 |

| | | | | | |
|---|----|----|----|-------|-------|
| Do you think that services other than credit offering by MFI's are helpful? | 81 | 1 | 2 | 1.46 | .501 |
| How many installment you have left to adjust the loan? | 81 | 44 | 44 | 44.00 | .000 |
| Do you have any other loan from other MFI's? | 81 | 1 | 2 | 1.89 | .316 |
| Is your income is enough to repay the loan? | 81 | 1 | 2 | 1.02 | .156 |
| Do you need to sell any property to repay the loan? | 81 | 1 | 2 | 1.64 | .482 |
| Do you have any plan for further loan for adjusting the current or existing loan? | 81 | 1 | 11 | 1.78 | 1.140 |
| Do you think microcredit program will help you to reduce poverty? | 81 | 1 | 2 | 1.30 | .459 |
| Do you want to share any other information? | 81 | 1 | 2 | 1.99 | .111 |
| What you think about this loan in the future? | 81 | 1 | 1 | 1.00 | .000 |
| Valid N (listwise) | 80 | | | | |



